

EXHIBIT A

In the Matter Of:

Re CELSIUS NETWORK LLC, et al.

CHRISTOPHER FERRARO

November 21, 2022



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Christopher Ferraro - November 21, 2022

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UNITED STATES BANKRUPTCY COURT

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SOUTHERN DISTRICT OF NEW YORK

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In re:

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Chapter 11

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CELSIUS NETWORK LLC, et al.

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Case No. 22-10964

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VIDEOCONFERENCE VIDEO-RECORDED DEPOSITION OF

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CHRISTOPHER JAMES FERRARO

16

New York, New York

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Monday, November 21, 2022

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Reported Stenographically By:

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PATRICIA A. BIDONDE

Registered Professional Reporter

Realtime Certified Reporter

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JOB#: 2022-872581

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November 21, 2022
9:09 a.m.

Confidential Videoconference
Video-Recorded Deposition of
CHRISTOPHER JAMES FERRARO, held at
the offices of Kirkland & Ellis LLP,
601 Lexington Avenue, New York, New
York, before Patricia A. Bidonde,
Stenographer, Registered
Professional Reporter, Realtime
Certified Reporter, Certified
eDepoze Court Reporter, Notary
Public of the States of New York,
New Jersey, and Connecticut.

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A P P E A R A N C E S (CONTINUED)

PRO SE CREDITORS VIA VIDEOCONFERENCE:

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DANIEL FRISHBERG

THOMAS DIFIORE, UCC Co-Chair

MICHAEL MORRIS

MIKE G

ALSO PRESENT:

CHRISTIAN BIDONDE, Legal Video Specialist

Via Videoconference:

AYDALINE GARCIA, Zoom Tech

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IT IS HEREBY STIPULATED AND
AGREED, by and between the attorneys
for the respective parties, that all
objections, except as to the form of
the questions, shall be reserved to
the time of the trial.

IT IS FURTHER STIPULATED AND
AGREED that the within examination
may be signed and sworn to before
any Notary Public with the same
force and effect as if signed and
sworn to before the court.

IT IS FURTHER STIPULATED AND
AGREED that the filing of the
original transcript of the
examination is waived.

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P R O C E E D I N G S

- - -

THE VIDEOGRAPHER: We are now
on the record. The time is
9:09 a.m. on November 21, 2022.
Audio and video recording will
continue to take place until all
parties agree to go off the record.
Please note that microphones are
sensitive and may pick up whispering
and private conversations.

This is the video-recorded
deposition of Christopher Ferraro in
the matter of In re Celsius Network,
et al. This deposition is being
held at Kirkland & Ellis, New York,
New York.

My name is Christian Bidonde.
I am the legal video specialist. On
behalf of Lexitas. The certified
stenographer is Patricia Bidonde on
behalf of Lexitas.

Counsel will state their

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2 appearances for the record and all
3 those parties on Zoom, except for
4 those speaking, will be noted for
5 the record. Then the certified
6 stenographer will swear in the
7 witness.

8 MR. HERSHEY: Sam Hershey from
9 White & Case on behalf of the
10 official committee of unsecured
11 creditors.

12 MR. WOFFORD: You also have
13 Keith Wofford from White & Case on
14 behalf of the official committee.

15 MR. McCARRICK: T.J.
16 McCarrick, Kirkland & Ellis, on
17 behalf of the debtors.

18 MS. CORNELL: You have Shara
19 Cornell on behalf of the office of
20 the United States Trustee and Mark
21 Bruh.

22 MR. CREWS: Cameron Crews, pro
23 se creditor.

24 MR. HERRMANN: Immanual
25 Herrmann, pro se creditor.

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MR. ADLER: David Adler from
McCarter English on behalf of
certain borrowers. Can everyone
hear me?

THE VIDEOGRAPHER: Yes.

MR. ADLER: Thank you.

MS. WESTOVER YANEZ: Melanie
Westover Yanez from Milbank for
Series B Preferred Holders.

MS. SUTHERLAND-SMITH: Kathryn
Sutherland-Smith of White & Case for
the Official Committee of Unsecured
Creditors.

MS. JONES: Elizabeth Jones of
Kirkland & Ellis on behalf of the
debtors.

C H R I S T O P H E R F E R R A R O, called
as a witness, having been duly sworn by
a Notary Public, was examined and
testified as follows:

EXAMINATION BY

MR. HERSHEY:

Q. Okay. Good morning, Mr. Ferraro.
My name is --

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1 C. Ferraro - Confidential

2 A. Good morning.

3 Q. Morning. My name is Sam Hershey.

4 As I said, I'm an attorney at White & Case. I
5 represent the official committee of unsecured
6 creditors in the Celsius bankruptcy
7 proceeding.

8 I'll be asking you some questions
9 this morning, and I will not be the only party
10 asking questions. As you're likely aware, we,
11 sort of, divided the deposition off where I'll
12 start and then I'll pass it off, I believe, to
13 the United States Trustee. And then other
14 parties as well will get to ask you questions.

15 I've been allotted three of the
16 seven hours to ask you questions. I don't
17 think I'm going to use all that time. I'd
18 rather have you out there trying to reorganize
19 this company and return value to customers,
20 but I do have some questions for you.

21 And before I start, I'm not in the
22 room with you, so I just want to be sure, is
23 there an attorney with you who will be
24 defending you during this deposition?

25 A. Yes.

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1 C. Ferraro - Confidential

2 Q. And who is that attorney?

3 A. T.J., right to the left of me.

4 Q. T.J. McCarrick?

5 A. Yes, sir.

6 Q. Okay.

7 MR. HERSHEY: Good morning,

8 Mr. McCarrick.

9 MR. McCARRICK: Good morning,

10 Mr. Hershey.

11 Q. So before I start, Mr. Ferraro,
12 I'll just ask you a few preliminary questions.

13 MR. McCARRICK: Actually --

14 Q. Have you ever --

15 MR. McCARRICK: Mr. Hershey --

16 Q. Oh, okay.

17 MR. McCARRICK: Yeah,

18 Mr. Hershey, just before we start,

19 I'd like to designate the entire

20 transcript confidential under the

21 terms of the protective order. No

22 information discussed during the

23 deposition can be recorded and/or

24 publicly disclosed, whether orally,

25 on Twitter, by podcast, or other

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2 means.

3 The only individuals,
4 entities, agencies, et cetera, that
5 are entitled to participate in this
6 deposition or have knowledge of its
7 contents are those who provided
8 prior notice that they would attend
9 or participate and who are bound by
10 the terms of the protective order.

11 So if there's anyone present
12 virtually or in person who that's
13 not the case for, they should log
14 off now. We don't want an issue
15 with folks live-streaming today's
16 deposition, commenting about the
17 testimony, or holding a public
18 discussion about it with anyone who
19 hasn't signed the protective order.

20 We're happy to meet and confer
21 on the back end, I should say, about
22 dedesignating parts of the
23 transcript. We expect there's going
24 to be plenty that's not
25 confidential, but the only way for

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2 us to protect our rights in the
3 first instance is to designate it
4 all at the outset.

5 And with that, all you, Sam.

6 MR. HERSHEY: Thank you,
7 Mr. McCarrick.

8 BY MR. HERSHEY:

9 Q. Before I start, Mr. Ferraro, I'm
10 going to ask you a few preliminary questions,
11 the first of which is: Have you ever been
12 deposed before?

13 A. No, sir.

14 Q. Okay. So I'm just going to go
15 over some ground rules on the assumption that,
16 having never been deposed, you may not be
17 completely familiar with how depositions work.

18 So the first is: You understand
19 that you're testifying under oath today.
20 Right?

21 A. Yes, sir.

22 Q. And that means that by your oath,
23 you're going to tell the full truth today.
24 Right?

25 A. Yes.

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2 Q. Is there any reason why you would
3 not be able to testify truthfully today?

4 A. No.

5 Q. Okay. A few more ground rules.
6 If you don't understand any of the questions I
7 ask you, please feel free to ask me to clarify
8 it. I won't be offended.

9 Sometimes in depositions questions
10 are made up on the fly, and it may be that the
11 question I pose to you is not comprehensible.

12 Does that make sense?

13 A. Yes.

14 Q. Okay. And if you don't ask me to
15 clarify a question, I'm going to assume that
16 you understand. Is that fair?

17 A. Yes.

18 Q. Okay. We can take as many breaks
19 as you want to take during the deposition. It
20 is not my goal to trap you here. The only
21 thing I ask is that if there's a question
22 pending -- in other words, if I ask you a
23 question and you haven't answered it -- that
24 you answer that pending question, then we can
25 take a break. Is that fair?

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2 A. Yes.

3 Q. Okay. All of your answers have to
4 be verbal. There's a court reporter in the
5 room, and so if you nod or make some other
6 nonverbal cue, it won't get picked up by the
7 transcript. So please make sure always to say
8 "yes" or "no" or any other verbal response the
9 court reporter can record.

10 Does that make sense?

11 A. Yes.

12 Q. And then the last thing -- and
13 this is especially important given that I'm
14 questioning you by Zoom -- let's do our best
15 not to talk over each other. So please make
16 sure to let me answer my question -- I mean,
17 ask my question, and I will make sure to let
18 you answer my question before I start talking.

19 Does that work?

20 A. Yes.

21 Q. Okay. So tell me --

22 MR. McCARRICK: Mister --

23 Mr. Hershey, just one more thing. I
24 just wanted to inform you, since
25 you're not in the room, Mr. Ferraro

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1 C. Ferraro - Confidential
2 has a clean copy of his declaration
3 in front of him.

4 MR. HERSHEY: Perfect.

5 MR. McCARRICK: Just wanted to
6 let you know that.

7 MR. HERSHEY: Great. Thank
8 you very much. And soon enough,
9 I'll be offering that as
10 Exhibit Number 1. So I appreciate
11 that.

12 BY MR. HERSHEY:

13 Q. Mr. Ferraro, how did you prepare
14 for this deposition?

15 A. I prepped with my legal advisors,
16 I read the related motions and declarations on
17 this specific item.

18 Q. Okay. So you say you "prepped
19 with your advisors." Who are the advisors
20 you're referring to?

21 A. Kirkland & Ellis, my legal
22 advisors --

23 Q. And who at Kirkland -- sorry. I
24 didn't mean to cut you off. Go ahead.

25 A. My legal advisors.

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2 Q. Okay. Who at Kirkland & Ellis?

3 A. Predominantly T.J.

4 Q. Anyone else?

5 A. There was a handful of associates.

6 I don't remember their names off the top of my
7 head.

8 Q. Okay. And how many times did you
9 and Mr. McCarrick conduct a prep session for
10 this deposition?

11 A. We did two, two prep sessions.

12 Q. And when -- and when were those?

13 A. One was on Friday, I believe, and
14 the other was Saturday of this week.

15 Q. And how long was each of those
16 sessions?

17 A. One hour, I believe, was the first
18 session and about three hours was the second
19 session.

20 Q. Got it. Were there any other
21 phone calls or any other prep sessions with
22 Mr. McCarrick besides those two that you
23 mentioned?

24 A. Not that I recall.

25 Q. And you said that you reviewed the

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2 declarations and the motion relevant to this
3 present dispute. Is that correct?

4 A. Yes.

5 Q. Okay. And so when you say "the
6 declarations," what documents specifically are
7 you referring to?

8 A. So my declaration, Oren
9 Blonstein's declaration, the motion to sell
10 stablecoins, and Alex Mashinsky's declaration
11 where the terms of use were listed out.

12 Q. Got it. Did you review any other
13 documents in preparation for today's
14 deposition?

15 A. Not off the top of my head.

16 Q. Okay. I want to talk a bit about
17 your background. Can you describe your
18 educational background for me, starting with
19 the college.

20 A. Yeah. I went to the University of
21 Washington in Seattle. I studied at two
22 different schools: One, the school of
23 economics, I got a bachelor of arts in
24 economics; and I also got a bachelor of arts
25 in the business school with concentrations in

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2 accounting and finance.

3 Q. Okay. How about after that?

4 A. No. I went straight into work.

5 Q. Got it. So you had no graduate
6 degree?

7 A. No graduate degree.

8 Q. Any professional certification of
9 any kind?

10 A. I did pass the certified public
11 accountant's exam back in 1999.

12 Q. And so are you a CPA?

13 A. I was but I have not fulfilled my
14 credits because I am not in that field.

15 Q. Got it.

16 A. So I am not in good standing, yup.

17 Q. Okay. Thank you. And so you say
18 that after college you went right to work.

19 Where did you go to work after college?

20 A. I went to work for Arthur Andersen
21 in their audit and insurance practice in
22 Seattle. I audited not-for-profit healthcare
23 providers.

24 Q. Okay. And how about after that?

25 A. I was there for about two and a

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2 half to three years. And after that, I went
3 to Bank One in Phoenix, Arizona.

4 Q. Okay. You can continue.

5 A. Yeah, and I was at Bank One, which
6 got acquired by JPMorgan Chase. And I was
7 there for almost 18 years.

8 Q. And what was your last position at
9 JPMorgan Chase before you left?

10 A. Head of financial analysis, which
11 included, effectively, financial planning and
12 analysis for global -- so for the entire firm,
13 as well as I had numerous, kind of, roles
14 within the finance organization and projects,
15 including automation, you know, creating new
16 models, developing -- stress-testing was big
17 at the point in time when I was at JPMorgan.
18 So we were doing a lot of CCAR and capital
19 stress-testing work.

20 Q. And how long did you hold the
21 position of head of financial analysis at
22 JPMorgan Chase?

23 A. Five-plus years.

24 Q. Is that the last job you had
25 before you joined Celsius?

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2 A. No. I was at Cerberus Advisory
3 and -- Advisory Company, yeah.

4 Q. How long were you at Cerberus?

5 A. Under a year. Just a little bit
6 over six months.

7 Q. And what was your position there?

8 A. Senior managing director.

9 Q. And so you left Cerberus then for
10 Celsius. Is that right?

11 A. No, no. Then I -- I own a couple
12 farms in Ecuador. My wife is Ecuadorian. We
13 moved there with our children a couple years
14 back. So I took almost three years off
15 developing my farms in Ecuador.

16 Q. So you left the world of finance
17 to pursue the life of a farmer. Is that safe
18 to say?

19 A. Exactly correct. Yes, sir.

20 Q. Okay. So after that time off, did
21 you then go to Celsius?

22 A. Yes, I did.

23 Q. Okay. And when did you join
24 Celsius?

25 A. March 21, 2022.

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2 Q. And what role did you have when
3 you joined Celsius?

4 A. Head of financial planning and
5 analysis and head of investor relations.

6 Q. And please take me through your
7 career development during your time at
8 Celsius.

9 Are you still in that role or has
10 your role changed?

11 MR. McCARRICK: Object to
12 form.

13 A. My role --

14 MR. McCARRICK: You can
15 answer.

16 A. Yeah, my role has changed.
17 Shortly before petition, middle of July, I was
18 promoted to the CFO, chief financial officer
19 of Celsius. And then on, I believe,
20 September 27 of this year, I was appointed as
21 chief restructuring officer and interim chief
22 executive officer, still retaining the chief
23 financial officer title.

24 Q. What motivated you to join
25 Celsius?

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2 A. Well, for one, I wanted the
3 flexibility of having different locations --
4 right? -- my family is in Ecuador. Celsius
5 provided me with that benefit of being able to
6 work part of the time in Seattle, part of the
7 time in Ecuador.

8 I also found crypto to be quite
9 fascinating. At that point in time, you know,
10 my farms are in very rural areas of Ecuador
11 where there is zero opp- -- very little
12 opportunity and extreme poverty.

13 And I, you know, drove by many
14 times the banks on Fridays with the lines
15 going all the way down the street. And
16 something about crypto, I believe, is a great
17 use case for, kind of, banking the unbanked in
18 the long term.

19 Q. Did you have experience with
20 cryptocurrency before joining Celsius?

21 A. No, sir.

22 Q. Now, at the time you joined
23 Celsius in March of 2022, the crypto winter
24 had already started. Is that safe to say?

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 A. Yeah, there was a downturn at that
5 point in time. I'm not sure if it was winter
6 or not, but there was definitely a severe
7 downturn in crypto.

8 Q. Did -- did that fact at all
9 influence your decision to join Celsius?

10 A. No. I'm not -- I'm not -- being
11 at JPMorgan Chase for almost two decades
12 taught me about risk and how to manage risk,
13 and I'm not af- -- you know, I don't avoid
14 risk; I try to manage risk. So, no, it didn't
15 scare me.

16 Q. Well, did it incentivize you?
17 Were you attracted to working for a company at
18 a time when it was going through financial
19 difficulties?

20 MR. McCARRICK: Object to
21 form.

22 You can answer.

23 A. I -- the position of the industry
24 and where crypto prices were at that point in
25 time, to me, was not part of my decision. I

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2 believed in and I still do believe in the
3 long-term potential of crypto.

4 Q. Okay. So my colleague Kathryn
5 Sutherland-Smith is in the room with you. And
6 I'm going to ask her to pass a copy of your
7 declaration to the court reporter. I know you
8 already have one.

9 MR. HERSHEY: But I'd like the
10 court reporter to mark it as Ferraro
11 Exhibit Number 1. And then
12 Ms. Sutherland-Smith can also give
13 copies to anyone else who is there
14 in person.

15 I'll note that, for those
16 joining by Zoom, we are not going to
17 bring this document up on the
18 screen. The reason for that is it's
19 publicly available on the docket in
20 this case, Docket Number 1326.

21 And so I'd rather not have to
22 deal with the logistical issue of
23 going back and forth to a document
24 on Zoom when everyone who wants to
25 see the document can find it and

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2 follow along.

3 CERTIFIED STENOGRAPHER: You
4 have to give me a moment to mark the
5 exhibit, please.

6 MR. HERSHEY: Oh, sure, take
7 your time.

8 (Ferraro Exhibit 1,
9 Declaration of Christopher Ferraro,
10 marked for identification, as of
11 this date.)

12 BY MR. HERSHEY:

13 Q. Mr. Ferraro, to ask a silly
14 question, you recognize this document, don't
15 you?

16 A. Yes, sir.

17 Q. Okay. Who drafted this document?

18 A. It was Kirkland & Ellis, my legal
19 advisors.

20 Q. It was Kirkland & Ellis who
21 drafted your declaration?

22 A. Yes.

23 Q. What role did you play in drafting
24 the declaration, if any?

25 A. I'm the declarant. So, you know,

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2 I was -- I was there, kind of, hand in glove
3 in drafting the declaration.

4 Q. What do you mean by that when you
5 say you were there "hand in glove"?

6 A. Well, there are certain aspects in
7 here that cross over into the business side.
8 You know, I was able to review and help
9 narrate some of that, give feedback,
10 et cetera.

11 Q. But the primary role for drafting
12 the declaration was with Kirkland & Ellis?

13 MR. McCARRICK: Object to
14 form.

15 You can answer.

16 A. Yes.

17 Q. Are there paragraphs that you can
18 identify that you did not review in the
19 declaration?

20 A. No.

21 Q. So you reviewed the entire
22 declaration?

23 A. Yes, sir.

24 Q. Okay. Are there paragraphs that
25 you can identify as being written entirely by

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2 Kirkland & Ellis?

3 A. I don't -- I don't recall.

4 Q. Okay. There may be paragraphs
5 drafted entirely by Kirkland & Ellis, you just
6 don't recall?

7 MR. McCARRICK: Object to
8 form.

9 You can answer.

10 A. Yes. There may be.

11 Q. Okay. Are there any subject
12 matters covered in the declaration that you
13 recall Kirkland & Ellis doing the drafting
14 for?

15 A. Not specifically. They were the
16 main -- the key people drafting it.

17 Q. And was a completed draft
18 presented to you for review before you
19 provided input?

20 A. A working draft was provided to me
21 when I provided input, yeah.

22 Q. So in other words, just to be
23 clear, Kirkland & Ellis made a draft of the
24 declaration and then presented it to you for
25 your input?

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2 A. And then I would comment -- yes.

3 Q. Let's turn -- actually, I'm going
4 to ask -- just to get the exhibits out of the
5 way, I'm going to ask Ms. Sutherland-Smith to
6 pass the court reporter and to you a copy of
7 the debtors' responses and objections to the
8 written deposition questions posed by the
9 committee, which we marked as Ferraro Exhibit
10 Number 2.

11 MR. HERSHEY: And I'll take a
12 pause to let the court reporter do
13 that.

14 (Ferraro Exhibit 2, Debtors'
15 responses and objections to the
16 written deposition questions posed
17 by the committee, marked for
18 identification, as of this date.)

19 CERTIFIED STENOGRAPHER: You
20 can continue, thank you.

21 MR. HERSHEY: Thank you.

22 Okay. Just for reference for
23 everyone on Zoom, again, we're not
24 going to pull this up on the screen.
25 But this document is available on

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2 the public docket as Docket Number
3 1406.

4 And I'll also note that,
5 unless something unexpected happens,
6 this is the only -- these two are
7 the only documents that I intend to
8 introduce as exhibits during this
9 deposition today.

10 BY MR. HERSHEY:

11 Q. Mr. Ferraro, do you recognize this
12 document?

13 A. Yes, I do.

14 Q. And what is it?

15 A. (Reading):

16 "Debtors' responses and
17 objections to the official committee
18 of unsecured creditors' written
19 deposition questions for the debtors
20 in connection with the debtors'
21 amended motion for entry of an order
22 establishing ownership of assets in
23 the debtors' earn program,
24 permitting the sale of stablecoins
25 in the ordinary course, and granting

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2 related relief."

3 Q. Thank you. When did you first see
4 this document?

5 A. I cannot remember whether it was
6 Friday or Saturday, to tell you the truth.
7 The days are blurry.

8 Q. But it was in the course of your
9 preparation for this deposition?

10 A. It was in connection with this
11 topic, this legal topic, and, yes, I was --
12 during of which I was prepping for my
13 deposition. But I wouldn't say I saw this in
14 preparation of my deposition.

15 Q. Can you explain a little more what
16 you mean. I found that answer a bit
17 confusing.

18 So it was in connection with this
19 topic but not preparation for your deposition?

20 A. It was done in the same time.
21 This document was not for my preparation of my
22 deposition. This document was done
23 separately. And I was brought into the
24 discussion Friday or Saturday around this
25 document. It was not part of my deposition

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2 prep, this document.

3 Q. Okay. Understood.

4 A. Yeah.

5 Q. So when you say you were "brought
6 into the discussion" regarding this document,
7 what discussion are you referring to?

8 A. There was a --

9 MR. McCARRICK: Let me just
10 caution you to exclude any
11 communications -- Sam, I'm not quite
12 sure what discussions -- I mean, are
13 you asking for his discussions with
14 counsel about the document?

15 MR. HERSHEY: I'm not sure,
16 T.J. He referenced a discussion.
17 I'm wondering what he's referring
18 to.

19 MR. McCARRICK: Okay. So --

20 THE WITNESS: Yeah, my counsel
21 from Kirkland & Ellis was there.

22 MR. McCARRICK: Okay. So to
23 the extent that you had any
24 discussions with people other than
25 counsel, you should feel free to

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2 disclose those. But don't disclose
3 any discussions with counsel.

4 A. Yeah, the only --

5 BY MR. HERSHEY:

6 Q. Yeah, so I think -- go ahead.
7 Sorry.

8 A. The only discussions that I had on
9 this document was with counsel.

10 Q. Understood. Okay. Well, I
11 certainly won't ask you to describe the
12 content of those discussions. But let me ask
13 you: Was that discussion in the context of
14 answering the questions in the document?

15 A. Yes.

16 Q. Okay. Do you recall which
17 questions specifically you discussed answers
18 to?

19 A. I don't remember myself
20 specifically discussing answers to any of the
21 questions. I was actively working on my prep
22 while the meeting was happening.

23 Q. So I just want to hone in on that.
24 So in other words, let me -- let me take a
25 step back and ask a broader question.

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2 Did you contribute to the answers
3 in this document?

4 A. Not in any meaningful way, no,
5 sir.

6 Q. Okay. And so to be clear, is it
7 your testimony that, while you were preparing
8 for your deposition, there happened to be a
9 conversation about this document taking place
10 in your vicinity?

11 A. There was a separate meeting. I
12 was part of that meeting but I was
13 multitasking. These -- the questions in this
14 document weren't rel- -- in my opinion, at
15 least in my practice or prep sessions, was not
16 relevant to my testimony or my deposition.

17 So I was, sort of, paying
18 attention to the discussion, but I was not the
19 key player in these -- answering these
20 questions. Like I said, I did not provide any
21 significant input into these answers.

22 Q. Nor were you asked to provide
23 input into the answers?

24 MR. McCARRICK: Object to
25 form.

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2 You -- calls for privileged
3 information. Instruct you not to
4 answer.

5 Q. Your statement that you didn't
6 view these questions as relevant to your
7 testimony today, why do you say that?

8 A. Well, my testimony is more related
9 to, at least the way that I was preparing for
10 it and was thinking about it, was more related
11 to, number one, kind of, how we manage the
12 business and how we would deploy coins within
13 the terms of use, as well as, kind of, the
14 cash flow budget and the liquidity needs
15 that's facing the debtors.

16 Q. Have you reviewed all of the
17 questions in this document?

18 A. I reviewed -- I reviewed -- I
19 cursory reviewed the document. And I was part
20 of the discussion of listening, not actively,
21 but as part of the discussion for probably the
22 first ten to 15.

23 Q. So is the answer then that you
24 have not reviewed all of the questions in this
25 document?

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2 A. I've read it. I haven't studied
3 it.

4 Q. Okay. But it's your opinion that
5 these questions -- none of these questions is
6 relevant -- let me start over with a clean
7 question.

8 It's your view that none of these
9 questions is relevant to your testimony today?

10 MR. McCARRICK: Object to
11 form.

12 You can answer.

13 A. I need to -- let me review the
14 questions real quick, if you could give me a
15 moment.

16 Q. Well, before you do that, I just
17 want to understand your views coming into the
18 deposition --

19 A. I do not --

20 Q. -- yeah, go ahead.

21 A. I do not -- yeah, I do not
22 remember a -- multiple questions being
23 directly the point of my deposition today. I
24 think the questions were more around specific
25 terms of use, how people accepted, you know,

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2 the double-click of the terms in use and some
3 of those related things.

4 I do not -- off of memory, I do
5 not remember anything in here about the cash
6 flow budget -- right? -- the 13-week or the
7 professional-eyes-only cash flow budget that
8 goes through March. And I also don't remember
9 anything about, kind of, how we deployed
10 assets in the past.

11 Q. Okay. That's helpful. Thank you.

12 And so just to be clear, what in
13 your opinion, are the topics for which you are
14 being offered today to testify?

15 MR. McCARRICK: Object to
16 form.

17 You can answer.

18 A. Yeah, largely around the need for
19 liquidity and, second, any related, kind of,
20 ordinary, prepause ordinary course of how we
21 used Celsius coins to deploy assets.

22 Q. Anything else?

23 A. Not off of memory -- not off of
24 the top of my mind, but I'm here to support
25 the process, so ...

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2 Q. Okay. Now, to be clear, though,
3 your declaration does cover more than just
4 those two topics. Right?

5 A. Yeah, it probably does. Again, I
6 mean, I prepped for this for two days, so I
7 focused on my areas, and those are the ones
8 that are most top of mind. There could be
9 more stuff that's related to the depositions,
10 of course, yes, in this declaration.

11 Q. Okay. Do you know who contributed
12 to answering the questions in this document?

13 A. There was business folks that were
14 on the discussion as well as legal advisors
15 from Kirkland & Ellis.

16 Q. Who were the business folks?

17 A. There was the general counsel, Ron
18 Deutsch. There was another lawyer, internal
19 lawyer, Joseph Golding. I'm losing his last
20 name, I apologize.

21 Q. Okay. Well, what do you
22 understand his last name to be, sitting here
23 today?

24 A. I can't remember. It's Golding,
25 Golding. Joseph Golding.

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2 Q. Okay. Anyone else?

3 A. I think Oren Blonstein might be on
4 the -- might have been on there, but I'm
5 honestly having trouble remembering everybody
6 who was on the call.

7 Q. Okay.

8 A. I think Oren was on the call.
9 Yeah.

10 Q. Is that all you can recall?

11 A. That's all I can recall.

12 Q. Okay. Let's turn back to
13 Exhibit 1, which is your declaration.

14 A. Yes.

15 Q. And let me know. Then turn to
16 page 11, please.

17 All right. Do you see --

18 MR. McCARRICK: Page or --

19 page or paragraph 11, Mr. Hershey?

20 MR. HERSHEY: Oh, I'm sorry.

21 I'm sorry, paragraph 11. Thank you.

22 A. Okay. Good. Okay. Perfect.

23 Q. Yeah.

24 A. If you get -- yeah.

25 Q. All right. And do you see just

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2 above paragraph 11 the header that says "The
3 earn program"?

4 A. Yes, sir.

5 Q. Okay. What was the earn program?

6 A. The earn program was a program in
7 which users could put cryptocurrency on the
8 platform. And in consideration for putting
9 the cryptocurrency on the platform, users
10 would earn rewards. And the rewards were set,
11 kind of, weekly and were different based upon
12 the different types of cryptocurrency.

13 Q. Before April 15, 2022, did Celsius
14 offer any other program to its customers
15 besides the earn program?

16 A. We have lending programs.

17 Q. Okay.

18 A. I think they referred to it as the
19 borrow program. That was for retail and
20 institutional. Before April, I cannot -- I
21 don't remember exactly when we started rolling
22 out the swap program. It was, sort of,
23 beta-tested early on. I'm not sure if it was
24 out in April. It might have been, if not
25 shortly after that. That's --

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2 Q. What is the swap program?

3 A. That's the ability to effectively
4 swap. Let's say you own Bitcoin and you want
5 ETH, you can swap Bitcoin for ETH. It's
6 effectively like a trade.

7 Q. Got it. But you're not sure when
8 that program was rolled out?

9 A. It was sometime around April, May.

10 Q. Was the prime rate program offered
11 by Celsius before April 13, 2022, the earn
12 program?

13 MR. McCARRICK: Objection
14 to -- object to form.

15 You can answer.

16 A. The earn program was the biggest
17 product offering with the biggest uptake, for
18 sure.

19 Q. And as of -- if you know, as of
20 April 15, 2022, approximately how many users
21 participated in the earn program?

22 A. I was prep- -- creating a budget
23 for the company, so I'm going off of numbers
24 that are, kind of -- they should be
25 directionally accurate and in magnitude, but

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2 around, I believe, 600,000 customers-ish were
3 in the earn program. Some of those --

4 Q. And do you know -- oh, sorry. Go
5 ahead.

6 A. Some of those could have small
7 balances; some of them could have large
8 balances, yeah.

9 Q. Right. And do you know how
10 they -- let me start that over.

11 Do you know, as of April 15, 2022,
12 what percentage of the users participating in
13 the earn program were unaccredited investors?

14 MR. McCARRICK: Object to
15 form.

16 You can answer.

17 A. I do not know. Off the top of my
18 head, I do not know.

19 Q. Okay. Did Celsius conduct any
20 marketing in connection with the earn program?

21 A. Any what? I'm sorry.

22 Q. Marketing.

23 A. Marketing. As I stated earlier, I
24 started March 21. So my, kind of, knowledge
25 of events that occurred before then are

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2 limited. But from -- we had different
3 versions of marketing that I remember,
4 referral bonuses, if you brought additional
5 funds on the platform, you might get a coupon
6 for, you know, \$50 or \$100 of some
7 cryptocurrency.

8 There was also blog posts and
9 Twitter channels and YouTube channels and
10 ask-me-anything that occurred weekly, I
11 believe, yeah. I believe those are
12 predominantly the channels in which they would
13 market.

14 Q. So it sounds like there was
15 significant marketing conducted by Celsius in
16 connection with the earn program?

17 MR. McCARRICK: Objection to
18 form. Mischaracterizes.

19 You can answer.

20 A. I mean, there was marketing
21 activities. Right? Like, whether -- I'm used
22 to a world in which you, kind of, measure
23 those, the significance in dollars. So I
24 don't know how much of the total -- what the
25 total budget was for marketing historically,

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2 but I think there -- I think it's safe to say
3 there was a considerable amount -- amount of
4 attention paid to marketing, yeah.

5 Q. And did Celsius have a target
6 demographic for the earn program marketing?

7 A. Not that I'm aware of.

8 Q. Would you expect the marketing
9 that you just described generally to reach
10 accredited investors or not accredited
11 investors?

12 MR. McCARRICK: Objection.

13 Calls for speculation.

14 You can answer to the extent
15 you know.

16 A. I -- honestly, I don't know. I
17 wasn't very close to the marketing program.
18 We had shut it down by the time I became CFO
19 and acting CEO. So -- yeah.

20 Q. Well, let me ask it a different
21 way. You mentioned blog posts as one form of
22 marketing. Right?

23 A. From my understanding, though I
24 have -- I've read two blog posts from Celsius,
25 so my amount of time that I've spent on any of

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2 these channels is limited. But, yes, my
3 understanding is there was blog posts.

4 Q. So just to be clear, your
5 understanding is there were blog posts in
6 connection with marketing the earn program?

7 MR. McCARRICK: Object to
8 form.

9 You can answer.

10 A. I don't know if it was direct to
11 the earn program, but I know that Celsius was
12 writing on the -- posting blogs. That's what
13 I know.

14 Q. Okay. And would you expect blog
15 posts to predominantly reach accredited
16 investors or nonaccredited investors?

17 MR. McCARRICK: Objection.

18 Calls for speculation.

19 You can answer.

20 A. I -- honestly, I don't know
21 because I'm not involved in looking at the web
22 traffic and where it was coming from. I would
23 assume it was probably a pretty consistent,
24 kind of, slice of the customer base.

25 Q. Okay. What about ask-me-anything

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2 videos? Would you expect those predominantly
3 to be viewed by accredited investors or
4 nonaccredited investors?

5 A. I --

6 MR. McCARRICK: Object to --
7 object to form.

8 You can answer.

9 THE WITNESS: Okay.

10 A. I wouldn't know -- right? -- I
11 think it would be consistent with, kind of,
12 the customer makeup. So there would be some
13 accredited, some nonaccredited.

14 Q. And you have no opinion regarding
15 the proportion of accredited versus
16 nonaccredited that's likely to view an
17 ask-me-anything video on YouTube?

18 MR. McCARRICK: Object to
19 form.

20 You can answer.

21 A. Other than when I was interviewing
22 with Celsius, I've probably spent total time
23 of one or two hours watching AMAs.

24 So I have a job to do. Watching
25 AMAs was not one of them. So I have very

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2 limited knowledge on this topic.

3 Q. And just to be clear, I'm asking
4 more for your opinion on this than your
5 personal experience watching AMA videos. So
6 I'll give one more example based on your
7 testimony.

8 Referral bonuses. Do you think
9 that referral bonuses would more attract
10 accredited investors or nonaccredited
11 investors to Celsius' products?

12 MR. McCARRICK: Objection to
13 form.

14 You can answer.

15 A. I would think that both
16 nonaccredited and accredited investors would
17 be interested in the referral bonuses.

18 Q. Okay.

19 A. So ...

20 Q. Now, at some point, Celsius
21 started offering other products in addition to
22 the earn program. Right?

23 A. Yes.

24 Q. And, in particular, Celsius
25 started offering a custody program. Right?

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2 A. Yes.

3 Q. And that product was first offered
4 April 15, 2022. Right?

5 A. That's my understanding, yes.

6 Q. Okay. What is your understanding
7 as to why Celsius created the custody product?

8 MR. McCARRICK: Object to
9 form.

10 Sam, could you explain how
11 this is relevant to this motion?

12 MR. HERSHEY: T.J., I'm not
13 here to answer questions. You can
14 preserve your objection if you want
15 to.

16 MR. McCARRICK: Okay. I mean,
17 I'm just trying to understand how
18 questions about custody, which we
19 all carved out, you know, of the
20 requested findings in this case are
21 relevant.

22 But I'll object to form. It's
23 outside of the scope.

24 You can answer.

25 A. Mr. Hershey, can you give me the

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2 question again. I want to make sure I heard
3 it right.

4 BY MR. HERSHEY:

5 Q. Sure. Why did Celsius create the
6 custody program?

7 A. It is my understanding, again, I
8 was -- maybe two weeks when it got launched, I
9 was with Celsius. That's the total amount of
10 my tenure at that point in time.

11 But from my understanding, there
12 was a project that had been going on for some
13 time related to looking into launching a
14 custody product. Some of this was due to --
15 my understanding, some of this was due to,
16 kind of, our understanding of what the
17 regulatory backdrop was and changes in that,
18 as well as customer preference -- right? --
19 some might want custody over earn and hold
20 title to their assets under the custody -- and
21 retain title of their assets under the custody
22 program.

23 Q. You made a reference just now to
24 the regulatory backdrop. What do you mean by
25 that?

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2 MR. McCARRICK: Object to
3 form.

4 Sam, this is so far outside
5 the scope. I mean ...

6 MR. HERSHEY: T.J., I --
7 you've preserved your objection. He
8 said "regulatory backdrop." I'm
9 asking him to clarify his testimony.

10 MR. McCARRICK: Yeah. And a
11 question that was also outside the
12 scope.

13 I mean, you can answer to
14 the -- you know, to the extent you
15 know. But, I mean, if we -- if, you
16 know -- I'll give you a little leash
17 here, Sam, but I'd rather focus on
18 the, you know, ownership under the
19 earn program, not custody.

20 MR. HERSHEY: Yeah, I think
21 there is a connection between earn
22 and custody here, and I promise,
23 T.J., we're going to get there. But
24 I want to understand his
25 understanding and his testimony.

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2 BY MR. HERSHEY:

3 Q. So I'd like to ask again: You
4 referred to a regulatory backdrop. What did
5 you mean by that?

6 A. Yeah, so it's important to know,
7 when I was at JPMorgan, I was not a -- I was
8 not on the institutional or the custody side,
9 I was a retail person and then I was in
10 corporate. So my understanding of the custody
11 offering is largely what I've learned really
12 since I've joined Celsius, just as a backdrop
13 to that.

14 You know, the earn program carries
15 with it certain risks -- right? -- the
16 customer is transferring title to Celsius.
17 Celsius can lend, rehypothecate, et cetera.
18 So making sure that that product was -- my
19 understanding is making sure that that product
20 was, kind of, aligned with regulatory
21 securities laws, et cetera.

22 And I think given that it was a
23 marquee product, we needed to have a backup
24 plan or a secondary product in case there
25 was -- you know, we wanted to, kind of,

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2 de-risk. Right? We're in the business --
3 when you have one product that's your primary
4 product, you have a lot of eggs in one basket.

5 So my understanding was the
6 custody solution was to diversify against any
7 sort of, you know, changes, either in the
8 regulatory landscape, customer preference,
9 risk in the marketplace, et cetera.

10 Q. Was there a change in the
11 regulatory landscape that contributed to the
12 creation of custody?

13 MR. McCARRICK: Object to
14 form.

15 Exclude from your answer any
16 information that you solely know
17 from counsel. To the extent you
18 have any other knowledge or
19 information, you can answer.

20 A. Sam, could you repeat the question
21 one more time. I'm sorry.

22 Q. Yeah. You mentioned in your
23 testimony a change in the regulatory
24 landscape. Was there a change in the
25 regulatory landscape that contributed to

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2 Celsius' creation of the custody program?

3 A. I wasn't with the company at that
4 point in time. So I do not know. I'm only --

5 Q. You don't know whether there was a
6 change in the regulatory landscape that
7 contributed to the custody --

8 A. I was working on my farm in
9 Ecuador at this time, Mr. Hershey.

10 Q. Okay.

11 A. Yeah.

12 Q. So you're not aware whether
13 regulatory issues regarding nonaccredited
14 investors keeping funds in the earn program
15 contributed to the creation of the custody
16 program?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. I've heard those concerns. I was
21 not aware at the time of the launch or any of
22 those. My understanding of this is largely in
23 my capacity as CFO, some of it -- some of it
24 on the product launch -- right? -- the back
25 end, planning, analysis, we had to deal with

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2 some reporting and things like that.

3 But, in general, I was not
4 involved with this, not close to it. I didn't
5 have an understanding. I wasn't privy to
6 those conversations.

7 Q. So I just want to be crystal
8 clear, Mr. Ferraro, that every question I'm
9 asking you today I'm asking for your
10 understanding sitting here today. I'm not
11 asking for your understanding when you joined
12 the company. I'm not asking you the basis for
13 that understanding, though you're free to
14 clarify that.

15 I'm just asking you: Sitting here
16 today, you have an awareness that there was a
17 change in the regulatory landscape that led to
18 the creation of the custody program?

19 A. I --

20 MR. McCARRICK: Object --

21 Q. It sounds like sitting here
22 today -- let me just finish. It sounds like
23 sitting here today, you do have that
24 understanding. So if that is the case, I'd
25 like you to expand on that.

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2 MR. McCARRICK: So objection
3 to form.

4 And exclude from your answer
5 anything that you learned solely
6 through counsel. Otherwise, feel
7 free to answer.

8 A. Most of my understanding,
9 Mr. Hershey, related to this is privileged,
10 has to do with communication that I've had
11 with legal advisors, internal and external.

12 And my knowledge of this is also
13 not that fulsome. Right? I'm dealing with
14 what's facing this company today, not what
15 happened in April or before. So I have very
16 little to provide here.

17 I know there was -- I'll say, kind
18 of, at a high level, I know there was
19 discussion about, kind of, concerns about the
20 earn product. There was regulators that were
21 asking -- my understanding is that there was
22 some pressure -- right? -- around it. And
23 that's about all I can say on this topic.

24 Q. What do you mean "there was some
25 pressure around it"?

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2 A. Well, this goes back to privileged
3 communication that I've had.

4 Q. Okay. You can't say more because
5 that would require you to divulge privileged
6 communications?

7 A. Yes.

8 Q. Okay. After Celsius created the
9 custody program, it allowed nonaccredited
10 investors to continue to keep assets that were
11 already in the earn program in that program.
12 Is that right?

13 A. Yeah. Grandfathered, yes.

14 Q. Why did Celsius choose to do that?

15 MR. McCARRICK: Objection to

16 form. Outside the scope.

17 You can answer.

18 A. I do not know.

19 Q. How was that decision made?

20 MR. McCARRICK: Object to

21 form. Outside the scope.

22 You can answer.

23 A. I was -- I was two weeks into the
24 company at that point in time and in a very
25 different facility. I do not know,

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2 Mr. Hershey.

3 Q. Okay. After April 15, 2022, if a
4 nonaccredited investor had assets in the earn
5 program, would those assets remain -- sorry --
6 would those assets remaining in the earn
7 program by fault -- excuse me. Let me start
8 that question over. It's a bit of a long
9 question.

10 After April 15, 2022, if a
11 nonaccredited investor had assets in the earn
12 program, would those assets remain in the earn
13 program by default unless that customer chose
14 to remove them?

15 MR. McCARRICK: Objection to
16 form. Outside the scope.
17 You can answer.

18 A. My understanding is they would
19 remain in the earn program.

20 Q. And the customer would continue to
21 earn rewards on those assets until the
22 petition date. Is that right?

23 MR. McCARRICK: Objection to
24 form. Outside the scope.
25 Foundation.

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2 You can answer.

3 A. That's my understanding, yes.

4 Q. Okay. Do you think that allowing
5 nonaccredited investors to continue to accrue
6 awards may have incentivized them to keep
7 their assets in the earn program?

8 MR. McCARRICK: Objection to
9 form. Calls for speculation.

10 You can answer.

11 A. I do not know.

12 Q. You have -- you have no view on
13 whether allowing a customer to accrue awards
14 would incentivize them to keep their assets in
15 that award-accruing program?

16 A. Well --

17 MR. McCARRICK: Object to
18 form.

19 You can answer to the extent
20 you know.

21 A. I mean, as a us- -- let me think
22 about it from a user standpoint -- right? --
23 I'm giving my cryptocurrency, basically
24 changing title, to Celsius, putting it on
25 their platform. What I get in return is

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2 rewards. So I think there is a linkage
3 between, kind of, what each individual gets.
4 I think that's a reasonable assumption.

5 Q. So I take it the answer to that
6 is, yes, you do think that allowing
7 individuals to accrue awards would incentivize
8 them to keep the assets on the earn program?

9 MR. McCARRICK: Object to
10 form. Mischaracterizes.

11 You can answer.

12 A. What I'm saying is people put --
13 people opted in -- people chose to go into the
14 earn program, I would think, predominantly to
15 earn rewards.

16 Q. And so the awards incentivized
17 them to join the earn program?

18 MR. McCARRICK: Objection to
19 form. Same objection.

20 You can answer.

21 A. I mean, it's a consideration they
22 got for being part of the earn program. That
23 was the value proposition to the customer, was
24 to earn, yeah, rewards.

25 Q. So the answer to my question is

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2 yes?

3 MR. McCARRICK: Object to
4 form. Asked and answered four times
5 now.

6 You can answer again.

7 A. I mean, yes, people put assets
8 onto the Celsius platform so Celsius could pay
9 them rewards. Whether that incented them to
10 stay or there was other things going on, I
11 don't know. It's a case-by-case basis. But
12 they were there to earn rewards.

13 Q. When the custody program was
14 created, did Celsius consider moving all
15 assets belonging to nonaccredited investors
16 from earn to custody?

17 MR. McCARRICK: Objection.
18 Outside the scope.

19 You can answer.

20 A. I have -- I was not part of those
21 discussions. I was not with the company
22 probably when the majority of those
23 discussions occurred. I do not know the
24 answer to that.

25 Q. Okay. Did Celsius take any steps

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2 to determine whether there were potential
3 legal issues with allowing nonaccredited
4 investors to continue to keep assets in the
5 earn program?

6 MR. McCARRICK: Objection.

7 Calls for privileged information.

8 Instruct you not to answer.

9 Q. Okay. Was Celsius in discussion
10 with regulatory authorities around the time
11 that it created the custody program?

12 MR. McCARRICK: Object to
13 form. Well outside the scope.

14 You can answer.

15 A. I wouldn't know. I wasn't part of
16 the company at that point in time.

17 Q. Okay. I'm going to change gears,
18 and I want to talk about the formative assets,
19 which I think is one of the subjects that you
20 said you view it as your role here today to
21 testify about.

22 What was the debtors' process for
23 determining how to deploy assets transferred
24 by account holders into the earn program?

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 A. What was the method of deploying
5 assets?

6 Q. Yeah, I'll ask it again.

7 What was the debtors' process for
8 determining how to deploy assets transferred
9 by account holders into the earn program?

10 A. Okay. I'll speak to it from my
11 understanding where I sit today, joining the
12 company in March 21st.

13 You know, we pay rewards to
14 customers to transfer title, become part of
15 the earn program. And with those
16 cryptocurrencies, Celsius would then deploy
17 into different type of deployment activities.

18 Could be your regular lending, so
19 retail lending. You know, usually those were
20 loans that were collateralized by
21 cryptocurrencies up to 50 percent. It was
22 lower for certain cryptocurrencies, and the
23 higher the LTV, up to 50 -- I think there was
24 three price points, 25, 33, and 50 percent
25 LTV -- the rate would change.

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2 And those would usually be either
3 dollars or stablecoins that we would lend to
4 the customer; so backed by other
5 cryptocurrencies, and we would give them
6 dollars or stablecoins. Those two -- those
7 two are really fungible and interchangeable in
8 the space that we operate in.

9 The other program was the
10 Institutional Lending Program. Obviously, it
11 was for institutions. These would be a little
12 bit higher. These could be unsecured. They
13 could be higher, above 100 percent LTV. Some
14 of them were below 100 percent LTV. And
15 typically, like a bank rate, any lending type
16 of protocol, the higher the risk, the higher
17 the rate. Right? So those were the two, kind
18 of, key lending programs.

19 We also staked assets. So we
20 would stake -- predominantly it was ETH. We
21 would deploy into DeFi protocols. And we
22 would also use the cryptocurrencies to
23 borrow -- to pledge and borrow against for
24 operational purposes.

25 Q. So I appreciate the answer, but I

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2 actually don't think it's responsive to the
3 question that I asked. So I'm going to ask my
4 question again. I'd like you to try to answer
5 my question.

6 What was the debtors' process for
7 determining how to deploy assets transferred
8 by account holders into the earn program?

9 MR. McCARRICK: Objection to
10 form.

11 You can answer to the extent
12 you know.

13 A. Are you talking about internal
14 deployment, risk management, liquidity, that
15 type of stuff?

16 Q. Yes.

17 A. Okay. I'm sorry. I thought you
18 were asking for a description of the programs.

19 Q. Okay.

20 A. Okay. None of these were in my --
21 I didn't -- I wasn't owner of these policies.
22 So I'm, kind of, speaking to my understanding,
23 just to give that as a backdrop.

24 There was a liquidity framework,
25 so if we -- and it would go coin by coin. So

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2 if we had excess liquidity, there would be a
3 signal to the deployment team that you could
4 deploy XYZ coin.

5 So maybe if we had excess Bitcoin,
6 Bitcoin would be sitting there as a deployable
7 coin, and that would be on a
8 cryptocurrency-by-cryptocurrency basis. And
9 then there was also --

10 Q. Okay. Any other -- sorry. Go
11 ahead.

12 A. Yeah.

13 Q. Please go ahead.

14 A. Yeah. To my understanding -- and
15 I do not know all the specifics to it -- but
16 then there was also, kind of -- kind of, hard
17 limits that risk management would put in
18 place. So you can't stake above X percent of
19 the total coins. You know, maybe deploying
20 into liquidity pools, you can't be above X
21 percent of the pool, things like that. So we
22 didn't get too -- you know, own too much of
23 the trade, and it would be very hard to get
24 out of.

25 Q. Okay. And who is involved in

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2 making those sorts of risk assessment
3 decisions?

4 MR. McCARRICK: Objection to
5 form. Outside the scope.

6 You can answer.

7 A. Risk management. And there was a
8 risk committee. I didn't join the risk
9 committee until I took the CFO title, so it's
10 hard for me to speak about before. But these
11 things would be discussed at the risk
12 committee.

13 There was also daily, kind of,
14 deployment meetings where the deployment team,
15 risk, and the executives would meet. And
16 there was also a weekly, kind of, investment
17 meeting. It wasn't a committee but it was --
18 it acted almost like a discussion of where we
19 should be investing and where we might want to
20 pull back on.

21 Q. And who, if anyone, was required
22 to sign off on those deployment decisions?

23 A. The limits or the deployment
24 decisions?

25 Q. Let's do both.

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2 A. Well, I'm only -- my understanding
3 would be risk would be responsible for the
4 limits and any of those policies and that the
5 deployment team's responsibility was to be
6 within those limits -- right? -- so that was,
7 kind of, the way that the -- that -- you know,
8 risk set the rules and the deployment team had
9 to follow those rules.

10 Q. So who was involved in setting the
11 rules?

12 MR. McCARRICK: Object to
13 form. Outside the scope.

14 You can answer.

15 A. Again, I think it was risk
16 management. I wasn't here for the vast
17 majority of the history of Celsius, but my
18 understanding would be risk would be setting
19 those limits and the policies and procedures
20 in place to make sure that folks stayed within
21 those limits. And then there was reporting
22 that was done.

23 Q. So -- okay. So you refer to risk
24 management. So who was on the risk management
25 team?

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2 MR. McCARRICK: Object to

3 form. Outside the scope.

4 You can answer.

5 A. It was ran -- it was led by an
6 individual named Rodney Wong. And then, you
7 know, there was probably five or six risk
8 professionals in addition to Rodney that made
9 up the team.

10 Q. Did the debtors take any steps to
11 make customers with assets in the earn program
12 aware of the risks from the debtors' asset
13 deployment strategies?

14 MR. McCARRICK: Object to
15 form. It escapes me what this has
16 to do with the terms of use and
17 their plain and unambiguous meaning.

18 But you can answer.

19 A. In just reviewing the terms of
20 use, I think there was a risk disclosure in
21 the terms of use, at least in the latter ones.

22 As I mentioned before, I didn't --
23 I didn't watch the AMAs. And I don't
24 typically read blog posts. You know, I -- so
25 limited, kind of -- I'm not the right -- the

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2 best person to answer that. But I know I did
3 come across it in the terms and uses in one of
4 the risk disclosures.

5 Q. Okay. So outside of the risk
6 disclosure and the terms of use, are you aware
7 of any other risk disclosures shared with
8 customers with assets in the earn program?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer.

12 A. Off of memory, I believe there was
13 disclosures on the AMA. But I could be wrong.
14 I believe there was disclosures on the screen.

15 Q. So you recall viewing a risk
16 disclosure on the screen during --

17 A. No -- like, "this is not
18 investment advice," all that type of stuff. I
19 believe. You should verify. But I believe
20 there was.

21 Q. And do you view that as the same
22 thing as a risk disclosure regarding Celsius'
23 deployment of assets in the earn program?

24 MR. McCARRICK: Object to
25 form. Outside the scope.

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2 You can answer.

3 A. I don't know the details of what
4 the disclosure was. But I think it was a
5 disclosure that said, you know, "this is not
6 investment advice" and some other stuff on
7 there.

8 Q. Okay.

9 A. I don't know about the blog posts.
10 I can't remember anything specific on whether
11 or not there was disclosures there. So I'd go
12 back to the terms of use.

13 Q. Okay. Let's talk with the terms
14 of use. Let's actually turn to paragraph 23
15 of your declaration, which, again, is marked
16 as Exhibit 1. Let me know when you're there.

17 A. Yeah, I'm there. I'm just reading
18 it, if that's okay.

19 Q. Yeah. Take your time.

20 A. Okay. Thank you.

21 Q. In fact, yeah, read that
22 paragraph. When you're done, let me know.

23 A. (Document review.)

24 Yeah.

25 Q. You're done?

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2 A. Yeah, I'm done. Thank you.

3 Q. So in the first sentence, you
4 state:

5 "It is my understanding that
6 every version of the terms of use
7 includes one or more provisions
8 authorizing the debtors to make
9 unilateral updates to the terms of
10 use."

11 Do you see that?

12 A. Yes, sir.

13 Q. Okay. So you say "it is my
14 understanding."

15 What is that understanding based
16 on?

17 A. Reading the terms of use.

18 Q. Which terms of use?

19 A. Well, I -- in the Alex Mashinsky
20 declaration, I believe he included all terms
21 of use, 1 through 8, if I'm correct. They're
22 not in front of me, so -- but, yeah, in
23 reviewing them for my declaration and also for
24 preparation of this deposition, that's my
25 understanding --

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2 Q. You --

3 A. -- is --

4 Q. So just to be clear, you're
5 stating that you've read each version of the
6 terms of use, 1 through 8?

7 A. I've gone through the terms of
8 use. I've read them and I've seen some
9 reversions of them. I'm not an expert in the
10 terms of use or a lawyer, but yes.

11 Q. Okay. So your understanding is
12 based on your own review of the terms of use?

13 A. Yes, sir. And discussions I've
14 had about the terms of use, but predominantly
15 me reading them, yes.

16 Q. Okay. And so just to be clear,
17 each sentence in this paragraph -- I believe
18 there are three sentences total -- starts with
19 "It is my understanding," or "It is also my
20 understanding."

21 And so in each case, your
22 understanding that you're representing is
23 based on your review of the terms of use and
24 other discussions you've had regarding the
25 terms of use?

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2 MR. McCARRICK: Object to

3 form.

4 You can answer.

5 A. Yes, sir.

6 Q. Okay. Celsius has customers who
7 are located all around the world. Right?

8 A. Yes, sir.

9 Q. And some of those customers speak
10 languages other than English. Right?

11 MR. McCARRICK: Object to the
12 form.

13 You can answer.

14 A. I would think so, yes.

15 Q. Were there versions of Celsius'
16 website or app in languages other than
17 English?

18 MR. McCARRICK: Object to
19 form.

20 You can answer.

21 A. Honestly, I don't know the answer
22 to that. I've never seen any other version
23 other than English.

24 Q. Or terms of use provided to users
25 in any language other than English?

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2 MR. McCARRICK: Object to

3 form.

4 You can answer.

5 A. Not to my knowledge.

6 Q. And when you say not to your
7 knowledge, do you mean you don't believe
8 that --

9 A. I've only --

10 Q. -- terms of use were offered in a
11 language other than English, or you're just
12 not aware --

13 A. I've only seen --

14 Q. -- that the terms of use are
15 offered in a language other than English?

16 A. Sorry -- sorry for not letting you
17 finish.

18 Q. That's okay.

19 A. I've only seen the English --
20 English versions. My understanding -- I don't
21 know of any other terms of use that were in
22 other languages.

23 Q. Okay.

24 MR. HERSHEY: T.J., I'm about,
25 I'd say, halfway through my

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2 questions. We've been going for an
3 hour. I don't know if you want to
4 take a break now. I'm happy to keep
5 going.

6 Or I should really ask you,
7 Mr. Ferraro, if you want to take a
8 break or if you want to keep going.

9 THE WITNESS: Let's keep on
10 going. I don't need a break right
11 now. Thank you for asking.

12 MR. HERSHEY: Okay.

13 THE WITNESS: Yeah.

14 BY MR. HERSHEY:

15 Q. I want to turn to paragraph 26 of
16 your declaration now.

17 A. Yeah.

18 Q. Let me know when you're there.

19 MR. McCARRICK: I'm sorry,
20 Mr. Hershey, did you say paragraph
21 26?

22 MR. HERSHEY: Yeah, I did.

23 MR. McCARRICK: Okay.

24 MR. HERSHEY: Does that not
25 exist?

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2 MR. McCARRICK: No, I just
3 didn't hear you.

4
5 MR. HERSHEY: Okay. I was having
6 a --

7 MR. McCARRICK: Yeah, no,
8 unlike page 11, paragraph 26 is
9 there, yes.

10 MR. HERSHEY: Okay. Good.

11 BY MR. HERSHEY:

12 Q. Are you there, Mr. Ferraro?

13 A. Yes, Mr. Hershey, I am. Thank
14 you.

15 Q. Okay. Do you see the header "Sale
16 of the Earn Stablecoin" above paragraph 26?

17 A. Yes.

18 Q. Okay. What is stablecoin?

19 A. Stablecoin is a cryptocurrency
20 that is pegged to a specific fiat. So in the
21 case of stablecoins that are a USDC, USDT,
22 these are pegged to the US dollar nearly one
23 for one. They really don't trade above \$1,
24 but they could trade slightly below \$1.

25 Q. Got it. Okay. Let's turn

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2 actually now to Exhibit 2, which is your
3 responses and objections. And when you are
4 there, please turn to page 17, and
5 specifically on page 17, if you could look at
6 Question Number 23.

7 A. (Document review.)

8 Q. So whenever you're there, just let
9 me know.

10 A. I see Question Number 23, yes,
11 sir.

12 Q. Okay. So you see Question
13 Number 23, and I'll read it for the record:

14 "Provide the amount of
15 obligations related to each type of
16 proposed sale stablecoin associated
17 with earn accounts by amount and
18 number of account holders as of the
19 petition date."

20 Do you see that question?

21 A. Yes, sir.

22 Q. Okay. Now, you testified earlier
23 that you were not consulted regarding the
24 answers to any of the questions in this
25 document. Correct?

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2 A. Yeah, off of memory that's
3 correct.

4 Q. And so I take it, then, you were
5 not consulted specifically regarding this
6 question either?

7 A. That's correct.

8 Q. Okay. Let's look at where it says
9 "Response to Question Number 23."

10 And the second sentence reads:

11 "Subject to those general
12 objections, Celsius states that, as
13 of petition date, Celsius earn
14 obligations related to each type of
15 proposed sale stablecoin were as
16 follows."

17 Do you see that?

18 A. Yes.

19 Q. And there's a chart underneath.
20 Right?

21 A. Yes.

22 Q. Okay. And you see the column on
23 the left says "Coin Type"?

24 A. Yes.

25 Q. Just take a minute and look

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2 through the entries in that column. Are these
3 all types of stablecoins?

4 MR. McCARRICK: Object to
5 form.

6 You can answer.

7 A. Are these all -- I believe there's
8 more stablecoins than just this in
9 existence --

10 Q. Right. Let me -- let me -- yeah,
11 just to be clear, my question is: Are these
12 types of coin listed in this column all
13 stablecoin? In other words, is each of these
14 a type of stablecoin?

15 A. Yeah. Yes, it looks that way to
16 me.

17 Q. Okay. And you see the second
18 column says "Number of Coins"?

19 A. Yes.

20 Q. Okay. So looking at the first row
21 which says "USDC," you agree with me that, as
22 of the petition date, Celsius earn obligations
23 with respect to USDC was over 800 million
24 coins. Is that right?

25 A. Yes.

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2 Q. And going to the next row, USDT
3 ERC20, you agree with me that Celsius
4 obligations or earn obligations as of the
5 petition date was approximately, say, 100
6 million coins. Is that right?

7 MR. McCARRICK: Object to
8 form. Foundation.

9 You can answer.

10 A. Yes.

11 Q. Okay. And to be clear, do you
12 have -- did you know these numbers before
13 seeing them in this document?

14 A. These are numbers that my finance
15 team would have put together. I've seen
16 reports of existing, kind of, coins in the
17 freeze report that we run. But I don't know
18 them off of memory.

19 Q. Okay. And just to finish off with
20 this document, the GUSD, approximately 80
21 million coins as of the petition date. Right?

22 A. Yes, sir.

23 Q. And BUSD, approximately 30 million
24 coins as of the petition date. Right?

25 A. Yes.

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2 Q. And so if you can do some quick
3 math with me, we add up the number of coins in
4 those first four rows, that's over 1 billion
5 in stablecoins. Is that right?

6 A. About 1 -- 1. -- 1 billion and 50
7 million-ish, yeah.

8 Q. Your math is better than mine.
9 Are you familiar with an entity
10 known as Tether?

11 MR. McCARRICK: Object to
12 form.

13 A. I've heard of Tether, yes.

14 Q. And what is Tether?

15 MR. McCARRICK: Object to
16 form.

17 A. To my understanding, Tether is a
18 player in the cryptocurrency industry. They
19 lend. They borrow.

20 Q. All right. Well, speaking of
21 lending, are you aware that before the
22 petition date, Celsius received a loan from
23 Tether?

24 MR. McCARRICK: Objection to
25 form. Outside the scope.

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2 You can answer.

3 A. We had a loan from Tether, yes. I
4 understand that --

5 Q. Oh, sorry. Did not mean to cut
6 you off. Please finish.

7 A. I understood it to be that Celsius
8 did borrow money from Tether and that that was
9 collateralized with different types of
10 cryptocurrencies.

11 Q. Do you understand or do you have
12 an understanding regarding the amount of the
13 loan that Celsius received from Tether?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. I don't know the exact amount, but
18 it was south of a billion dollars, maybe 800
19 million, 7- to 800 million, I believe.

20 Q. And are you aware of the
21 denomination of that loan?

22 MR. McCARRICK: Object to
23 form. Outside the scope.

24 A. My understanding was that the loan
25 was probably stablecoins was what we got,

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2 yeah.

3 Q. So your recollection is roughly
4 800 million in stablecoin from Tether?

5 A. -ish, yeah, around that zip, yup.

6 Q. Okay. So before the petition
7 date, the debtors had borrowed roughly 800
8 million in stablecoin from Tether and
9 according to this chart we just looked at had
10 received stablecoin deposits from customers in
11 connection with the earn program totaling more
12 than \$1 billion. Right?

13 MR. McCARRICK: Object to
14 form. Outside the scope.

15 You can answer.

16 A. Yeah, that's my understanding.

17 Q. So again, doing the math, between
18 Tether and earn, that's approximately or
19 almost \$2 billion worth of stablecoin as of
20 the petition date. Right?

21 MR. McCARRICK: Object to
22 form. Outside the scope.

23 A. Yeah 1 -- let's say 1.8, yeah.

24 Q. Okay. Between 1.8 and 2 billion.

25 A. That's fair --

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2 Q. Is that safe to say?

3 A. Yeah.

4 Q. Okay. What amount of stablecoin
5 are the debtors currently seeking authority to
6 sell?

7 A. About 18 million of stablecoin.

8 Q. And is that 18 million of
9 stablecoin the total amount of stablecoin
10 currently in the debtors' possession?

11 A. That's not related to custody,
12 withheld, or lending collateral, yes.

13 Q. So given that before the petition
14 date the debtors possessed nearly 2 billion in
15 stablecoin, why do the debtors have only 18
16 million of stablecoin available to sell today?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. Well, the Tether loan was
21 liquidated.

22 Q. Okay.

23 A. So, you know, unfortunately they
24 liquidated BTC and I believe some E to pay
25 down that loan.

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2 The 1.8 to \$2 billion of
3 stablecoin, as an ongoing, kind of, business
4 perpetuation was used in normal course to pay
5 for expenses. You know, there was lending
6 that it used. Like I said, the retail lending
7 program was largely stablecoins or dollars.
8 So we would fund loans that way. The mining
9 asset was stablecoins and dollars. So we'd
10 have to fund it that way.

11 There was a lot of stablecoins
12 that went into illiquid deployments. That's
13 part of the issue.

14 Q. So I want to return your testimony
15 to the liquidation of the Tether loan. So you
16 said that that loan was paid back with
17 Bitcoin. Is that right?

18 MR. McCARRICK: Object to
19 form.

20 You can answer.

21 A. It wasn't paid back, it was
22 liquidated.

23 Q. Excuse me, liquidated with
24 Bitcoin.

25 A. Yeah.

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2 Q. But in that case, what happened to
3 the stablecoin that Celsius had borrowed?

4 MR. McCARRICK: Object to
5 form.

6 You can answer if you know.

7 A. Nothing would have happened to
8 stablecoin. What would have happened was the
9 Bitcoin was liquidated. I believe might have
10 been some E too, but ...

11 (Stenographer clarification.)

12 Q. So Celsius remained in possession
13 of --

14 A. Might have been some ETH.

15 Q. So Celsius remained in possession
16 of the stablecoin following the liquidation of
17 the Tether loan?

18 A. The liquidation of the Tether loan
19 had no impact on the stablecoins of Celsius.

20 Q. Okay. Just wanted to confirm
21 that.

22 And so returning to your testimony
23 after that statement. So Celsius just spent
24 the stablecoin in the ordinary course?

25 A. Yes, and invested --

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2 Q. Approx- --

3 A. -- specs -- invested.

4 Q. Approximately 1.8 billion of it?

5 A. Yeah. I -- there was uses of the
6 stablecoin, and clearly most of it got used to
7 pay for operations, for lending, for the
8 mining asset, certain -- certain losses that
9 we had to take that we took. We had to go
10 back and buy cryptocurrencies -- right? --
11 with stablecoins.

12 So, yeah, there was many purposes
13 that stablecoins were used for. Some were
14 operations, some were to buy back coins that
15 were actual losses, and some was mining
16 assets, lending programs, et cetera.

17 Q. So you listed a few things that
18 the stablecoin went to. Do you know the
19 amount of stablecoin that was dedicated to
20 each of those things?

21 A. Well, I think it's pretty safe to
22 say that predominantly the entire mining
23 asset, so call it almost 600 million.
24 Predominantly the entire retail lending book,
25 call it another 400-and-something million.

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2 You're at a billion.

3 There was operating expenses for
4 2021 and 2022 that totaled, off of memory,
5 about a half a billion.

6 And then you had certain
7 currency -- cryptocurrencies that we had to go
8 back and buy because there was losses. Think
9 EFH. So that's how you get to the 1.8 to 2
10 billion.

11 Q. Okay. So just -- so sticking with
12 your math. So mining, lending, and
13 operations, you said 600 for mining, 400 for
14 lending, 500 for operations. That totals
15 1.5 billion. Right?

16 A. Yeah.

17 Q. So would the loss that you just
18 described be 300 million in your estimation?

19 A. Losses in which we had to go back
20 and purchase cryptocurrencies for the accounts
21 so we didn't have a directional position. I
22 don't have that number off the top of my head,
23 but, yeah, it was in that range.

24 Q. Can you explain that a little more
25 of losses for which you had to go back and --

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2 A. Well, let's say --

3 Q. -- purchase cryptocurrency?

4 A. Yeah. Let's say, for example,
5 EFH. We -- we borrowed money from EFH, and I
6 believe this dates back to 2020. Right? We
7 lent money -- we borrowed money from EFH, and
8 we posted Bitcoin and ETH as collateral.

9 When we went to pay down the loan
10 with EFH, they said, We don't have your
11 collateral. So now we thought we had an asset
12 of Bitcoin -- right? -- and now we don't. So
13 we had to use stablecoins to go out and buy
14 Bitcoin so that our risk positions would be
15 neutralized.

16 Q. Understood. Okay. All right.
17 This may retread some of the ground we've just
18 gone over. Let's turn to paragraph 26 of your
19 declaration.

20 A. Of my declaration. Okay.

21 Yes, sir. I'm there.

22 Q. And, actually, before we get
23 there, just one quick question: Is Celsius
24 able to trace stablecoins in its possession to
25 specific transfers made by account holders?

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2 A. The coins go into, like, an
3 omnibus account -- I always struggle to say
4 that word, I'm sorry -- omnibus account. So
5 kind of -- we don't link a specific stablecoin
6 to a customer. We think of them more as
7 fungible.

8 Q. And there's no way to, let's say,
9 analyze the blockchains to determine where it
10 came from before it went to the omnibus
11 account?

12 MR. McCARRICK: Object to
13 form.

14 You can answer.

15 A. To my understanding, it all gets
16 mixed in the omnibus account. So we --

17 Q. Are you now aware -- go ahead.
18 Sorry.

19 A. I was going to say, we can look
20 and say 100 stablecoins were sent from 100
21 different wallets and we have 100 in the
22 omnibus account, but we -- and then when we
23 deploy them, we don't go back in time to say
24 which ones were deployed for -- related to
25 which cryptocurrency obligations that Celsius

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2 has to the customers.

3 Obviously the stablecoins are
4 Celsius', the transfer. The title has been
5 transferred to Celsius in the terms of use.
6 Celsius has the right, which we're describing
7 right here, to pledge, deploy, otherwise
8 rehypothecate, et cetera. So ...

9 Q. But just to be clear, putting
10 aside what Celsius may or may not do in terms
11 of trying to trace stablecoin to their source,
12 my question is could it do so?

13 MR. McCARRICK: Object to
14 form.

15 You can -- you can answer.

16 A. I'm sure in a massive data
17 exercise, you could probably track and trace
18 things. It's all public blockchain. We, kind
19 of, mix it all together in the omnibus wallet
20 and then deploy it from there. So it gets --
21 we didn't in an active managing trace because
22 it wasn't important. We just had the
23 obligation to the customer, the liability to
24 the customer. That's what we tracked.

25 Q. Right. And I just want to be

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2 clear, I'm not trying to pass judgment on
3 whether Celsius should have or did or did not.
4 But it -- so basically your answer, it sounds
5 like your testimony is it may be possible to
6 trace the stablecoin, but it would be -- I
7 think the word you used is "a massive
8 undertaking." Is that right?

9 A. I'm not a blockchain expert. So
10 my understanding is it's possible. We weren't
11 set up that way to do it.

12 If it were to be done, I would
13 think there's a lot of data out there, but it
14 would be a big exercise.

15 Q. Okay. And now we can go to
16 paragraph 26. I apologize we didn't do it
17 before.

18 In the first sentence of that
19 paragraph, you state:

20 "It is my understanding that,
21 prior to the petition date, the
22 debtors monetized stablecoin as
23 needed to meet their fiat
24 obligations in the ordinary course."

25 So you state "it is my

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2 understanding." What is that understanding
3 based on?

4 A. General understanding of how the
5 business operated by, you know, being here for
6 six to nine months, by looking at reports, by
7 having conversations.

8 Q. Okay. What does "monetize" mean?

9 A. They use them -- could either use
10 them as payment or liquidate them to cash, to
11 fiat.

12 Q. And can you explain the process
13 the debtors use for monetizing stablecoin
14 prior to the petition date?

15 A. There's multiple ways in which you
16 could do it. You could go on an exchange and
17 sell it on the exchange, have it wired to your
18 fiat bank account. You could go to a provider
19 like Circle and for effectively no cost, just
20 convert stablecoin to fiat and have it put in
21 your bank account.

22 So the industry works in a way in
23 which fiat and stablecoins are very
24 interchangeable.

25 Q. Okay. How frequently do the

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2 debtors monetize stablecoin prepetition?

3 A. How what, sorry?

4 Q. How frequently do the debtors
5 monetize stablecoin before the petition date?

6 A. I would -- I would -- my
7 understanding would be multiple, multiple,
8 multiple times per day.

9 Q. And you mentioned "fiat
10 obligations." What fiat obligations are you
11 referring to in this sentence?

12 A. Payroll, vendor expense,
13 professional fees.

14 Q. Anything else?

15 A. All ordinary course business, any
16 expenditures related to the activities that
17 Celsius was doing. The vast majority of them
18 were paid in fiat.

19 Q. Is there any reason the debtors
20 would choose to monetize stablecoin as opposed
21 to other types of cryptocurrency?

22 A. Well, stablecoins don't really --
23 you know, if -- you know, you're --
24 stablecoins don't have a risk position next to
25 them, meaning they're not sensitive to prices

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2 because everything is one-for-one for the
3 dollar.

4 So stablecoins act as though, in
5 crypto, that they're almost like fiat. If you
6 were to -- if you were to sell other coins,
7 then you could open up risk position. So if I
8 had customer obligations of 100 Bitcoin and I
9 had 101 Bitcoin in my asset account, I could
10 sell one Bitcoin.

11 But in general, what we would do
12 would be sell Bitcoin. You'd probably earn --
13 you'd probably sell Bitcoin for stables, and
14 then you would have stables that would fund
15 operations.

16 But usually what would happen is
17 you'd manage risk so you were neutral from a
18 asset liability net position; so stablecoin
19 would be effectively the cryptocurrency that
20 you would use for payments, converting to
21 fiat, et cetera.

22 Q. Do you know what fraction of the
23 cryptocurrency monetized by the debtors to
24 meet their fiat obligations prepetition was
25 stablecoin?

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2 MR. McCARRICK: Object to

3 form.

4 You can answer.

5 A. I do not know. I would guess that

6 the vast majority of it was stablecoins that

7 were put into fiat. So liquidated into fiat.

8 Q. And do you know what fraction of

9 those stablecoins were deposited by customers

10 into earn accounts?

11 MR. McCARRICK: Object to

12 form.

13 You can answer if you know.

14 A. What portion of the stablecoins

15 that we used to fund? I would -- I would

16 venture to guess all of them.

17 Q. So all of the stablecoin that the

18 debtors monetized prepetition was associated

19 with customer accounts?

20 MR. McCARRICK: Object to

21 form.

22 You can answer.

23 A. Yeah, to my understanding. We

24 didn't have a perfect process on custody, but

25 we would exclude custody from it. So, yeah, I

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2 mean, the vast, vast, vast majority of them
3 would be related to earn accounts.

4 Q. Okay. Do you know when the last
5 time was before the petition date that the
6 debtors monetized stablecoin?

7 A. I would assume we did it right
8 before the -- right leading up to the petition
9 date, to the filing. I mean, any payments
10 across cryptocurrency, gas fees, things like
11 that, you pay a lot in stablecoins. So
12 you're -- in reality, you're using stablecoins
13 multiple times.

14 Q. Okay. And do you have a sense of
15 how much stablecoin was monetized?

16 A. I don't know off the top of my
17 head. That was -- I was not the CFO, and this
18 was handled largely with the CFO and the
19 treasury team. I wasn't part of those
20 conversations.

21 Q. Do you know whether the debtors
22 have continued to monetize stablecoin after
23 the petition date?

24 A. Well, we're not able to sell,
25 trade cryptocurrency.

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2 Q. So the answer is no, they haven't?

3 A. So the answer is no. Yeah.

4 Q. Okay. Let's turn to paragraph 24
5 of your declaration. And let me know when
6 you're there.

7 A. Yes, sir.

8 Q. Okay. In the first sentence of
9 that paragraph, you state: "Post-petition,
10 the debtors have faced continued liquidity
11 challenges."

12 Do you see that?

13 A. Yes.

14 Q. Okay. When do the debtors project
15 they will run out of liquidity?

16 A. On a consolidated basis of the
17 debtors, in the first quarter of 2023.

18 Q. Is there any more specific
19 projection for when the liquidity runs out
20 beyond the first quarter of 2023?

21 A. It's really -- it gets very tight
22 at the end of February, and we go negative in
23 the beginning of March.

24 Q. Okay.

25 A. That's on a consolidated basis. I

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2 think the mining -- the mining entity, I
3 believe, runs out of cash in January, late
4 January.

5 Q. And when do the debtors project
6 they will run out of liquidity if they're
7 permitted to sell stablecoin?

8 A. Stablecoin sale would at least
9 give us another month of runway, if not a
10 little bit more.

11 Q. So -- I'm sorry.

12 A. If not a little bit more. So that
13 should get us into probably April.

14 Q. Okay. Do the debtors intend to be
15 out of bankruptcy before that time?

16 A. It's highly unlikely. We would
17 love to be, but --

18 Q. Why -- I'm sorry, I feel like I
19 keep cutting you off, and that's my fault.
20 You said, "It's highly unlikely, we'd like to
21 be." Was there anything you wanted to say?

22 A. Of course we would like to be, but
23 it's doubtful that we'll be out in early
24 second quarter. It's probably a few months
25 later if we do everything properly.

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2 Q. So let's break that answer down.

3 So why do you say it's highly unlikely?

4 A. Well, we have to -- I mean, we're
5 in a dual-track process right now where we're
6 going through sales and marketing of the
7 assets. We're also working on a standalone
8 reorganization plan working with the committee
9 and their professionals as well.

10 You know, we're just in a world in
11 which we're trying to maximize value for the
12 estate. I think there's also key legal
13 questions, to my understanding, that still
14 need to be answered, investigations that need
15 to be finished.

16 But most importantly for me, I'm
17 working on the reorganization plan, and my
18 understanding of the timelines and, kind of,
19 how the plan gets approved -- gets commented
20 on, gets approved and -- right? -- is early
21 second quarter of 2023 is a stretch to get out
22 of bankruptcy.

23 Q. What happens -- what happens if
24 the debtors run out of liquidity before
25 they're able to exit from bankruptcy?

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2 A. Well, that would be administrative
3 bankruptcy, and you'd effectively cease to
4 operate in this Chapter 11 proceeding, is my
5 understanding.

6 Q. Are the debtors trying to avoid
7 that outcome?

8 A. Absolutely.

9 Q. Well, so I'd like you to, then,
10 kind of, reconcile those two things for me
11 because the debtors are running out of money.
12 Right now, even with the sale of stablecoin,
13 they're going to run out, let's say, by April,
14 but you say it's highly unlikely that the
15 debtors will be out of bankruptcy by April.

16 So what's the plan?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. Well, I think we have to raise
21 liquidity. Stablecoins, in my opinion, is the
22 cheapest and easiest way to fund the case.
23 That does not mean that the case is completely
24 funded. We'd have to go -- we'd have to go
25 out and either raise financing, debt

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2 financing, which is incredibly expensive.

3 This comes at a major cost to the estate, and

4 the value that we'll be able to provide to

5 borrowers. Debt financing is incredibly

6 expensive. Stablecoin, effectively no cost to

7 liquidate.

8 We also have the ability -- right?

9 -- to, if -- if so is approved, if said is

10 approved, we have the ability to use coins to

11 borrow, and we can fund that way, either

12 through DeFi protocols or centralized

13 counterparty. That's going to be cheaper than

14 DIP financing. And then, of course, you could

15 sell other coins to fund the case. I think --

16 Q. Are those are all --

17 A. I think --

18 Q. Sorry. Go ahead.

19 A. Yeah, sorry. I think we've pulled

20 the expense management lever really hard.

21 We've gone from 920 employees to about 167

22 employees as of, really, last week.

23 So I think that we're in a world

24 in which, you know, we've cut expenses, we've

25 cut vendor costs. We've gotten rid of -- out

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2 of all of our debtors' real estate offices.

3 So we've tried to reduce the cost of this case
4 as much as we can.

5 I think that lever, albeit, we can
6 still optimize a little but, but that's been
7 pulled about as hard as we can without
8 jeopardizing our ability to furnish diligence
9 questions, help out with the sales process, or
10 come up with the reorg plan.

11 So I don't think cutting expenses
12 is going to be a significant benefit at this
13 point. So I think it really comes down to
14 financing vis-à-vis the coins, DIP financing,
15 and other protocols that we can borrow
16 against.

17 Q. Okay. Yeah. So you mentioned
18 three possible ways to increase liquidity:
19 DIP financing, borrowing, or selling coins.
20 Right?

21 A. Yeah.

22 Q. Okay. So are those all options
23 the debtors are considering pursuing?

24 A. We've analyzed all options.

25 Q. Have the debtors taken any steps

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2 towards actually achieving any of those three
3 things?

4 A. Yeah, the sale of stablecoins.
5 That's what we're here discussing today. This
6 is the cheapest and the first step. We
7 also --

8 Q. Okay. Anything else?

9 A. Well, we did do -- working with
10 Centerview Partners, there was a DIP process
11 early on in the case, and I believe the
12 decision was to pause that given its cost. So
13 we're hoping we don't have to go to the DIP
14 financing.

15 Q. All right. But sitting here
16 today, is the -- besides the sale of
17 stablecoins, is the debtor doing anything else
18 to decrease liquidity?

19 A. We need approval to be able to
20 deploy coins into DeFi protocols or to use
21 them as collateral to borrow against. We've
22 analyzed the costs and the risks. We have not
23 done anything that would require approval, to
24 my understanding.

25 Q. So sitting here today, these are

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2 all hypothetical ways of bringing in
3 liquidity, but there is no certainty that any
4 one of them will actually bring in liquidity?

5 A. The --

6 MR. McCARRICK: Object to
7 form.

8 You can answer.

9 A. The most certain one is the sale
10 of stablecoins.

11 Q. Okay. But that by itself is not
12 sufficient to fund these cases as long as you
13 think that --

14 A. I anticipate that the case -- the
15 case will go past April. That's just -- first
16 time I'm in Chapter 11. So it's my, you know,
17 kind of, semi-educated take on this. We'll
18 need some other ways of financing.

19 But, first, stablecoins is the
20 cheapest. It's what we use in our ordinary
21 course. It's how we operate. It's how the
22 industry operates. So that's the relief we're
23 asking for right now.

24 Q. Okay. And you mentioned, part of
25 your answer before, was that in order to exit

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2 bankruptcy responsibly, I think was the words
3 you used, you're going to need more time than
4 you would have just to be read. Is that
5 right?

6 A. Again, with my, kind of,
7 uneducated, nonexperienced eye, and looking at
8 the, kind of, legal calendar and how things
9 progress, it's probably going to be a little
10 bit more than April. That's my guess.

11 Q. And you mentioned in your
12 testimony what I think you called "key legal
13 questions" that need to be resolved before the
14 company can exit from bankruptcy.

15 Do you remember that testimony?

16 A. Yeah, I believe they called --

17 Q. What are those -- go ahead.

18 A. -- you know, key questions of
19 first impression or key, you know, gating
20 legal questions.

21 Q. What are those key legal
22 questions?

23 A. I'm probably not the right person
24 to ask that, you know. I can give you --

25 Q. Well, I mean -- go ahead. I

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2 didn't mean to cut you off. Go ahead.

3 A. Yeah. I said I'm probably not the
4 right person to ask that. The key legal
5 questions are the ones that are being brought
6 up for the judge to decide through the
7 procedure and process.

8 Q. Are there other legal questions or
9 key legal questions that you're referring to?

10 MR. McCARRICK: Object to
11 form.

12 A. Yeah. I think -- I mean, I think
13 the key -- one of the key legal questions is
14 the title of the -- of -- you know, for us,
15 terms and use is clear, crystal career. But I
16 don't think that the judge has ruled on that
17 yet.

18 Q. But the judge is going to rule on
19 that next month. Right?

20 A. I don't know the legal calendar.
21 I don't have it in front of me.

22 Q. Okay. Well, let me ask you: Are
23 there any other key legal questions besides
24 the question of title over the earn assets
25 that you were referring to when you said there

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2 are key legal questions that need to be
3 resolved before we can exit bankruptcy?

4 MR. McCARRICK: Object to
5 form.

6 You can answer.

7 A. Custody. Is custody separate from
8 earn, and does the customer retain title? I
9 think that's a big one.

10 Q. Okay.

11 A. Obviously in our stablecoin
12 motion, we're not -- we're excluding custody
13 coins, withheld coins, and lending coins. I
14 think the lending program and how you deal
15 with both the collateral as well as the
16 outstanding balance that the customers owe is
17 also a key gating legal question. I think
18 those are three of them that come to my mind.

19 Q. Okay. And it's your understanding
20 those questions aren't likely to be resolved
21 before April?

22 A. Oh, I don't know that answer. I
23 mean, we also have to do a reorganization plan
24 and get through the sales process. There's
25 investigations going on. So my April comment

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2 was not just about the legal questions, it was
3 about the entire case.

4 Q. Got it. Okay.

5 CERTIFIED STENOGRAPHER:

6 Counsel, can we take a break?

7 MR. HERSHEY: Absolutely.

8 Mr. Ferraro, are you okay with
9 taking a break?

10 THE WITNESS: I am. Thank
11 you.

12 MR. HERSHEY: Let's go off the
13 record and we can talk about a time.

14 THE VIDEOGRAPHER: Stand by.

15 The time now is 10:38 a.m. This
16 concludes Media 1. Off the record.

17 (Recess taken from 10:38 a.m.
18 to 10:59 a.m.)

19 THE VIDEOGRAPHER: The time
20 now is 10:59 a.m. This begins Media
21 2. On the record.

22 BY MR. HERSHEY:

23 Q. Okay. Welcome back, Mr. Ferraro.
24 Can you hear me okay?

25 A. Yes. Yes, I can, Mr. Hershey.

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2 Thank you.

3 Q. Okay. I don't have too many more
4 questions. I actually wanted to return to a
5 few of your answers. I think that will be
6 easier before I continue through, so I'd ask
7 just to, sort of, return to a few things we
8 discussed.

9 The first thing I want to return
10 to is your testimony regarding whether Celsius
11 can trace the stablecoins it intends to sell.

12 I want to distinguish between
13 tracing things on the blockchain and tracing
14 things within Celsius' platform.

15 Just to be clear, once the
16 stablecoins are deposited onto Celsius'
17 platform and moved around within Celsius, at
18 that point can Celsius trace them, their
19 movements within Celsius' platform?

20 A. We do not trace cryptocurrencies
21 specifically across the platform. We look at
22 it where it is within our frameworks of, like,
23 liquidity, where it's deployed, et cetera.

24 So honestly I'm not a blockchain
25 expert, so -- but I do know that the way that

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2 we run it is not to, kind of, trace from one
3 point -- spot to the next because the coins
4 are fungible.

5 Q. Right. Right. Okay. That makes
6 sense. And you say you're not a blockchain
7 expert. Is there someone at Celsius you're
8 aware of with more knowledge of these subjects
9 who might be able to discuss more
10 authoritatively whether the coins are
11 traceable?

12 MR. McCARRICK: Object to
13 form.

14 You can answer.

15 A. Yeah, I think you -- you know,
16 Oren Blonstein would be -- he runs product.
17 He would be, you know -- and he's been with
18 Celsius for a longer period of time.
19 Obviously in product, you have to understand
20 the systems very tightly. So he would
21 probably be a good person to ask.

22 Q. Okay. Anyone else you can think
23 of?

24 A. Probably some of the folks within
25 the technology team.

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2 Q. So is that, like, Nuke Goldstein?

3 A. Nuke or Guillermo, the head of
4 technology.

5 Q. Okay. Let me ask you one more
6 question before I return to what we were
7 talking about. And this is, again, so I
8 understand the mechanics.

9 Let's say I'm an earn customer.
10 This is before the petition date, before even,
11 let's say, April 15 of 2022. I'm an earn
12 customer and I take out a loan, and I want to
13 pledge my coins that are associated with my
14 earn account as collateral for that money.

15 Would those coins then be moved
16 out of the earn account into a separate
17 collateral wallet somewhere? Or how would
18 they travel, if at all, across Celsius'
19 platform once I pledge those assets as
20 collateral?

21 MR. McCARRICK: Object to the
22 form and the characterization.

23 You can answer.

24 A. It would be marked no longer as
25 earn, it would move to the collateral account,

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2 and it would not accrue rewards.

3 Q. So just to be clear, when you say
4 it would still be marked no longer as earned.
5 So would the change only be on a ledger, or
6 would there actually be movement of the coins?

7 A. I don't know the specific answer
8 to whether it was moved or not, but I do know
9 that the -- that we would code it no longer an
10 earn. It would now be coded as part of the
11 collateral for the lending program.

12 Q. Got it. So there, at least, was a
13 ledger total, whether there was a
14 corresponding movement of coins, you don't
15 know?

16 MR. McCARRICK: Object to
17 form.

18 You can answer.

19 A. Yeah. I mean, in the -- in our
20 back office system -- right? -- there's some
21 sort of a ledger entry. I'm not sure that the
22 coin is moved or not. I don't know.

23 Q. And who -- who would know whether
24 the coin is moved or not?

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 A. The deployment team, the product
5 team. I think Oren would be a good one to
6 ask.

7 Q. All right. But now we can return
8 to what we were talking about before. I
9 appreciate your indulgence.

10 So I asked you before how the
11 debtors intend to get out of bankruptcy, and
12 you said right now there are two potential
13 paths that are being considered. There's a
14 sale process that's being pursued, and also a
15 standalone plan option that's being pursued.

16 Is that an accurate representation
17 of your testimony?

18 A. Yes.

19 Q. Okay. Had the debtors
20 communicated with any potential bidders
21 regarding their preference between a sale or a
22 standalone plan?

23 MR. McCARRICK: Object to
24 form.

25 You can answer.

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2 A. Our preference is to maximize
3 value for the estate, not to do one or the
4 other. We work closely with the committee on
5 the reorganization plan, and we make sure that
6 we're aligned there. But the goal is single,
7 single purpose under dual-track process to
8 maximize value for the estate for the benefit
9 of our creditors.

10 Q. So just to be clear, the debtors
11 have no preference between a sale or a
12 standalone plan?

13 A. Only to maximize value would be
14 the preference.

15 Q. Got it. And then either one of
16 those could potentially maximize value?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. Yeah, I -- that's the goal. Yes.

21 Q. Okay.

22 A. Those are the two --

23 Q. And -- sorry. Go ahead.

24 A. Those are the two -- those are the
25 two types of transactions that we're focused

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2 on. Right? The sale process is tricky in a
3 downturn. Right? It's hard selling assets.
4 There's very little capital out there. But,
5 you know, we're actively doing it. I've sat
6 on hours of diligence calls related to
7 potential bidders asking questions and
8 providing documentation.

9 Q. And just to be clear, the debtors
10 have not formed any conclusion regarding which
11 process is more likely to maximize value?

12 A. We haven't received the bids. We
13 can't conclude until we see what people are
14 willing to pay. So no.

15 Q. Okay. And I take it, therefore,
16 just to go back to my original question, the
17 debtors have not communicated with any
18 potential bidders regarding their preference
19 for a sale process or a standalone plan
20 process?

21 MR. McCARRICK: Object to
22 form.

23 You can answer.

24 A. I mean, no. Our goal is to
25 maximize value. We have to go through both

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2 processes.

3 Q. Okay. Again, returning to some of
4 your prior testimony, you testified that --
5 well, let me -- sorry, I take that back. Let
6 me just ask you a fresh question.

7 When do the debtors anticipate
8 proposing a plan?

9 A. We're currently actively working
10 with the committee on this today. We were
11 supposed to -- we are having a meeting. I
12 wasn't able to participate because I'm here.
13 But the internal team, our advisors, the
14 committee, and the committee's advisors are
15 discussing the current thinking around a
16 reorganization plan that's led by the product
17 team, Oren's team. I sit on those. I'm
18 incredibly involved in those -- in that
19 process.

20 This is -- we take this as a very
21 serious process. This is how we're going to
22 return value back to the estate and to the
23 creditors, this and the sale process. So,
24 yeah, and we work with the committee
25 hand-in-hand with this.

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2 Q. So I appreciate the answer. But I
3 just want to hone in on my specific question.
4 I understand the debtors are -- sorry, I
5 thought someone said something.

6 I understand the debtors are
7 working on proposing a plan. My question is:
8 When do the debtors intend to propose a plan?

9 MR. McCARRICK: Object to
10 form.

11 A. I mean, we have to -- we have
12 questions we're working through with the
13 committee. If you're asking when do I hope?
14 Okay.

15 Q. Sure.

16 A. When do I hope? I hope that we
17 can lock down on what a reorganized entity
18 looks like by year end and then we can start
19 working on the disclosure statement.

20 Q. Is it safe to say the debtors are
21 trying to propose a plan as soon as reasonably
22 possible?

23 MR. McCARRICK: Object to
24 form. Beyond the scope.

25 You can answer.

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2 A. Tirelessly, seven days a week,
3 nonstop, yes, sir.

4 Q. And the debtors wouldn't
5 potentially do anything to delay its proposal
6 of a plan. Right?

7 MR. McCARRICK: Object to
8 form.

9 You can answer.

10 A. There's nothing more that we want
11 to do than to get out of Chapter 11 the right
12 way.

13 Q. So the answer is yes, the debtors
14 would not intentionally delay the proposal of
15 a plan. Right?

16 MR. McCARRICK: Objection.

17 Asked and very much answered.

18 THE WITNESS: Can I answer?

19 Q. You can answer again.

20 MR. McCARRICK: Answer again.

21 THE WITNESS: Oh, sorry.

22 A. We are doing everything we can to
23 get out as fast as possible. Delays hurt us,
24 hurt the estate, hurt our customers, hurt our
25 stakeholders. We want to get out of this

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2 process and do it the right way.

3 Q. Thank you. All right. This is
4 actually my last line of questions, so we're
5 almost done. And I will pass you on to
6 someone else who wants to ask questions.

7 A. Okay.

8 Q. Are you aware, Mr. Ferraro, that
9 since Celsius filed for bankruptcy, individual
10 account holders have filed letters and
11 statements on the bankruptcy court docket
12 regarding this bankruptcy?

13 MR. McCARRICK: Objection to
14 form.

15 You can answer.

16 A. Yes, I'm aware. The judge has
17 also spoke about the letters.

18 Q. Have you read any of those
19 letters?

20 A. I have read some of the letters,
21 yes.

22 Q. Do you remember which ones?

23 A. There's too many to remember.
24 I -- I went through over 50 letters. There
25 was a lot of letters.

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2 Q. Sorry. Keep going.

3 A. Yeah, the letters that are on
4 Stretto?

5 Q. Yeah.

6 A. I was able to read letters, yes.

7 Q. Did you just testify that you've
8 read over 50 of them?

9 A. Yeah. I've read numerous letters,
10 lots of letters, yeah. And they're all
11 heartbreaking -- heartbreaking letters. It's
12 a very difficult read. People are in a very
13 difficult position.

14 Q. So, again, tell me -- tell me more
15 about that, because I am curious to hear the
16 reaction to the letters since you just
17 described them as "heartbreaking."

18 Is there anything more you would
19 like to say?

20 MR. McCARRICK: This is well
21 outside the scope, but I want to
22 hear Mr. Ferraro's answer.

23 So you can answer.

24 A. I mean, I think we're aligned --
25 right? -- the creditors want their coins back.

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2 And the company, its advisors, the committee,
3 its advisors are working tirelessly to do
4 that.

5 There is nothing -- there is
6 nothing out there that is, like, keep on, you
7 know -- stay in bankruptcy, keep on processing
8 the Chapter 11. No. We want to get coins in
9 kind back to customers as soon as possible,
10 and I think that's consistent with the message
11 in the letters.

12 Q. Are you aware whether anyone else
13 at Celsius has read those letters?

14 A. I don't --

15 MR. McCARRICK: Object to
16 form.

17 You can answer.

18 A. I don't -- I'm not aware. I don't
19 track the reading of letters.

20 Q. Have you discussed the letters
21 with anyone else at Celsius?

22 A. Likely, but not off of memory. I
23 can't -- you know. I'm sure it's come up.

24 Q. Okay. So it seems from your
25 testimony that you do think it's important

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2 that Celsius listen to the concerns of its
3 customers.

4 A. The customer --

5 MR. McCARRICK: Object.

6 Q. Is that right?

7 THE WITNESS: Sorry.

8 MR. McCARRICK: Object to

9 form. Well outside the scope.

10 Vague. Not really sure what's going
11 on here.

12 But you can answer.

13 A. I think our stakeholders with the
14 customers -- right? -- kind of at the center
15 of this plan, it's important to understand
16 where they're coming from, right? We work for
17 the benefit of the estate. So, yes, I think
18 it's important.

19 Q. Have you spoken with any of the
20 debtor/stakeholders regarding a potential plan
21 of reorganization?

22 A. Any of the debtors what?

23 MR. McCARRICK: Ob- --

24 THE WITNESS: Oh, sorry.

25 MR. McCARRICK: I'm sorry, I'm

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2 just going to object -

3 MR. HERSHEY: Let me re-ask

4 the question and then you can

5 object, T.J. --

6 MR. McCARRICK: Yup.

7 MR. HERSHEY: -- so he hears

8 it and I'll speak a little more

9 clearly.

10 Q. Have you spoken -- you personally,
11 have you spoken with any of the
12 debtor/stakeholders regarding a potential plan
13 of reorganization?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. I speak with the committee,
18 they're stakeholders. We have -- we have
19 regular conversations.

20 Q. Anyone else?

21 A. I've discussed it in my 341
22 testimony about the dual-track process. I
23 have not asked specifically to the employees
24 that are working on the plan if they are also
25 a customer. Yeah.

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2 Q. Okay. So just to be clear, you
3 mentioned speaking with members of committee
4 about the potential plan of organization.

5 Is there any other stakeholders or
6 debtors with whom you've had conversations
7 regarding a potential plan of reorganization?

8 MR. McCARRICK: Objection.

9 Outside the scope.

10 You can answer.

11 A. I told you the 341 testimony is
12 with stakeholders; creditors ask questions at
13 the end. Some of it was about maximizing
14 value for the estate. I would have discussed
15 the dual-track process.

16 And then, you know, in
17 conversations with potential buyers, every now
18 and then the reorganization, standalone
19 reorganization comes up, and my discussion
20 with them is the same as I'm having here; it's
21 a dual-track process, we have to execute
22 across both to maximize value for the estate.

23 Q. Right. Okay. I just want to be
24 crystal clear. I'm including advisors of
25 stakeholders as well in this question.

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2 Are there any other stakeholders
3 or their advisors with whom you have discussed
4 plan of reorganization?

5 MR. McCARRICK: Object to
6 form.

7 You can answer to the extent
8 you understand.

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 Q. And those are the only
23 conversations I'm asking about.

24 A. Yeah.

25 Q. So I appreciate the answer.

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2 Have you spoken with any
3 individual account holders since becoming CEO?

4 MR. McCARRICK: Object to
5 form.

6 You can answer.

7 A. The committee are account holders.
8 I've spoken with them.

9 Q. Anyone -- any account holders
10 besides the members of the committee?

11 MR. McCARRICK: Object to
12 form. Outside the scope. Don't
13 know where this is going. Let's
14 move it along, Sam.

15 A. I think I've, you know --

16 Q. You can answer.

17 A. On the 341 hearing, there was
18 creditors on the 341 hearing.

19 Q. Okay. So other than the 341
20 hearing and other than conversations with the
21 committee members, have you had -- since
22 becoming CEO, have you had any conversations
23 with Celsius account holders?

24 MR. McCARRICK: Object to
25 form.

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2 A. Employees. But I don't know if
3 they're account holders because I don't ask
4 them. Oh, and I --

5 Q. So is it --

6 A. -- I did --

7 Q. Do you agree -- sorry. Go ahead.

8 A. And I did have -- thank you. My
9 memory is now jogged. I did have a
10 conversation with one account holder, yes.

11 Q. Can you describe that
12 conversation?

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 Q. Okay.

19 A. So that's the only -- that's the
20 only person that I can think of outside the
21 committee, the committee's advisors, internal,
22 and our advisors.

23 Q. Okay. Great.

24 MR. HERSHEY: That is actually
25 the end of my questions,

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2 Mr. Ferraro. I'm just going to
3 reserve the right if your attorney
4 asks you questions at the end of the
5 deposition, to then do some further
6 questioning of you. But other than
7 that, I'm finished. Thank you very
8 much for your time. I appreciate
9 it.

10 And I will pass the witness.

11 THE WITNESS: Thank you, Sam
12 Hershey. Thank you.

13 MR. McCARRICK: I think the US
14 Trustee is on -- on deck.

15 MS. CORNELL: You want to take
16 a break?

17 THE WITNESS: I'm okay.

18 MS. CORNELL: Yeah? You sure?

19 THE WITNESS: Yeah. Thank
20 you.

21 MR. McCARRICK: Let's go off
22 the record.

23 THE VIDEOGRAPHER: The time
24 now is 11:15 a.m. This concludes
25 Media 2. Off the record.

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2 (Recess taken from 11:15 a.m.
3 to 11:17 a.m.)

4 THE VIDEOGRAPHER: The time
5 now is 11:17 a.m. This begins Media
6 3. On the record.

7 EXAMINATION BY

8 MS. CORNELL:

9 Q. This is Shara Cornell, S-h-a-r-a
10 C-o-r-n-e-l-l, on behalf of the office of the
11 United States Trustee.

12 Okay. So I had a couple of
13 follow-up questions and some additional
14 questions also.

15 Previously, at the beginning of
16 your deposition, you discussed your
17 background, and specifically your different
18 appointments while at Celsius.

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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[illegible]

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[REDACTED]

Q. Thank you. Also earlier in your testimony, you discussed a little bit about your educational background and your employment background.

As part of that testimony, as I understand it, you did not have any specific experience with cryptocurrency or related.

Can you please explain just a little bit about how you educated yourself

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2 prior to joining Celsius?

3 A. Yeah. You know, spending almost
4 two decades at JPMorgan, I tend to view the
5 world as a bank. I tend to see things as a
6 risk/return type of lens, risk management.

7 So when I joined Celsius, I think,
8 in the negotiations I was able to study --
9 right? -- that's what I do. I like to read up
10 and study things.

11 And in my mind, I, kind of, look
12 at cryptocurrency as another set of assets
13 that fits into the shelf of my mental model of
14 how to think about risk.

15 Q. Okay.

16 A. So for me it wasn't that different
17 to think about a fiat or a stablecoin or about
18 a cryptocurrency token versus a loan position
19 or something like that. It comes with risk
20 and reward and balance sheet -- right? And
21 that's what I did for two decades was balance
22 sheet management.

23 Q. What about the blockchain itself
24 and how it worked and how assets are
25 transferred on the blockchain?

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2 Was there any specific ways that
3 you educated yourself on the workings of that?

4 A. Well, there's a lot of stuff out
5 there to read, right? I mean, it's nothing
6 more than a super-sized ledger where multiple
7 copies and people have -- it's all public,
8 people have access to it.

9 So if you think about it in a
10 world of it's just recording transactions, it
11 makes it pretty simple.

12 Q. Did you own any cryptocurrency
13 prior to joining Celsius?

14 A. No. I bought my first Bitcoin
15 yesterday.

16 Q. It's a good time a buy.

17 A. Yeah. I wasn't able to buy that
18 much. It was only about probably 1/20 of a
19 Bitcoin. But I did want to see the
20 experience, so ...

21 Q. At times during your earlier
22 testimony, you referred to Kirkland & Ellis as
23 your "advisors."

24 For the record, can you just
25 clarify in what capacity Kirkland & Ellis

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2 represents you and whether or not you have
3 your own personal counsel with respect to
4 Celsius?

5 A. Yeah. So Kirkland & Ellis is
6 legal advisors to the debtors, to the company.
7 I have my own legal representative, Paul
8 Hastings --

9 Q. Okay.

10 A. -- is my pool coverage.

11 Q. Thank you. I'm going to try not
12 to repeat questions that were asked or
13 answered earlier, but sometimes I just need to
14 re-ask them to make sure that it flows a
15 little bit and it's not coming out of nowhere.
16 So I apologize.

17 The interrogatory responses that
18 were released earlier, did you provide any of
19 the responses to the interrogatories?

20 MR. McCARRICK: Object to
21 form.

22 You mean the written
23 deposition questions?

24 MS. CORNELL: The written
25 depo- -- yeah. Is that --

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2 MR. McCARRICK: I think that's
3 what he would probably refer to them
4 as.

5 Q. The written deposition questions.

6 A. I didn't craft any of them.

7 Q. Do you know who from Celsius did
8 or was a part of those answers?

9 A. I only know the single meeting
10 that I was on.

11 Q. Okay.

12 A. And, like I said, I was
13 multitasking. Unfortunately, in my job I'm in
14 meetings all day. So what I do is multitask
15 all day long. And I was prepping, reading the
16 declarations, reading the motion on
17 stablecoins. I honestly -- I think Oren
18 Blonstein was on the call. But I can't even
19 recall.

20 Q. Uh-huh. You testified earlier
21 that today's testimony is in connection with
22 the deployment of coins and the terms of use.

23 Just for the record, are you
24 familiar with the terms of use?

25 A. I'm not an expert. I didn't craft

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2 them. But I've read through them so I'm
3 familiar with them in general.

4 Q. Were you employed at Celsius when
5 they were drafted?

6 A. I started working at Celsius
7 March 21, 2022. So that probably is somewhere
8 around when the custody was launched. So they
9 would have been drafting, but I wasn't part of
10 those conversations or the drafting. So ...

11 Q. Do you --

12 A. I would assume that that was going
13 on while I was at Celsius but in a different
14 capacity.

15 Q. In a different capacity.

16 Under -- we've been discussing
17 drafts, like 1, 2, 3, 4, 5, 6, 7, 8. Around
18 the time that you started, are you aware of
19 which draft number would have been employed by
20 Celsius?

21 A. It would have been between 6 and
22 8, is my understanding. And I say that
23 because I believe 8 is when the custody was
24 launched. And I joined March. And I believe
25 custody was launched in mid-April. So we

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2 were, kind of, right between those two
3 versions.

4 Q. After you were immediately
5 employed by Celsius until today's date, were
6 there any amendments to the terms of use that
7 you're aware of?

8 A. I think that was the Version 8
9 that came out, I believe. I think when I
10 joined it would have been 6 and then 8.

11 Q. Were there any suggestions to
12 further revise or amend the terms of use since
13 you've been employed at Celsius?

14 A. I --

15 MR. McCARRICK: Object to
16 form.

17 Just exclude anything that you
18 know solely from legal counsel.

19 Otherwise you can answer based on
20 anything --

21 A. I'm not part of those
22 conversations. I have not been.

23 Q. If there were to be an amendment,
24 are you familiar with what the process would
25 be for there to be an amendment ratified or

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2 instituted by Celsius?

3 A. No. Because in bankruptcy we're
4 not talking about amending the terms of use,
5 and that's my focus.

6 Q. So you wouldn't be familiar with
7 the amendment process outside of bankruptcy if
8 Celsius was still operating in its regular
9 course?

10 A. I would only -- from what I've
11 heard, I would expect that that would
12 continue. Between legal and regulatory, you
13 know, they would, with product, draft the
14 terms of use, make any changes, broadcast
15 that, et cetera. I think in these materials
16 it's been explained, kind of, how we
17 communicated with customers and how that was
18 done.

19 Q. I understand. I just want to try
20 to get a little bit more information about how
21 the process for approving or ratifying the
22 amendments would have occurred at Celsius
23 itself, not with respect to customers.

24 Would it have been approved by the
25 board? Would it have been approved by

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2 separate division heads? What would the
3 process have been with respect to Celsius
4 exclusively?

5 MR. McCARRICK: Object to
6 form.

7 You can answer.

8 A. I do not know. All I know is that
9 in listening and being a part of this, that
10 legal and regulatory teams were the primary
11 drafters of this, and that they would have had
12 approvals to go through.

13 In today's world that I operate
14 in, any cha- -- I mean, we wouldn't make
15 changes to the terms of use; it would make no
16 sense. But if we did, it would go through the
17 special committee, right? But in ordinary
18 course before? I don't know the process. I'm
19 sorry.

20 Q. Okay. Other than Kirkland &
21 Ellis, who are outside counsel for Celsius?

22 A. I know Akin Gump represents us on
23 certain matters. We have local counsel in
24 Israel and Serbia. I cannot remember their
25 names. I apologize.

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2 Q. Sure. As part of the
3 interrogatory responses -- I believe it was
4 Interrogatory Number 1 -- there were
5 references made to outside counsel that may
6 have assisted with the drafting of the terms
7 of use.

8 Are you familiar with which law
9 firm that would be?

10 A. I do not know. This was before my
11 time.

12 Q. So is it your understanding that
13 it would be a law firm that is not currently
14 employed by Celsius?

15 A. I do not know.

16 Q. Are you familiar with the firm
17 Latham & Watkins?

18 A. Yes.

19 Q. Are Latham & Watkins regulatory
20 counsel for Celsius?

21 A. Thank you, yes. Sometimes I need
22 a memory. Sorry, Latham is our regulatory
23 counsel. I was thinking in the Chapter 11
24 construct. I'm sorry.

25 Q. Oh, don't worry about it. There's

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2 a lot of -- there's a lot of firms involved so
3 it's understandable.

4 A. They would have been involved, I
5 would think, working with regulatory and legal
6 on the terms of use.

7 Q. Have they been employed by Celsius
8 during your entire tenure?

9 A. My -- yes. During my tenure and,
10 I believe, before. I don't know when it
11 started, but I know the relationship is
12 pre- -- has been going on for a while.

13 Q. So would it be fair to say that if
14 there were outside regulatory counsel that
15 assisted in the drafting of the terms of use,
16 it would have been Latham & Watkins?

17 MR. McCARRICK: Object to
18 form.

19 You can answer to the extent
20 you know.

21 A. I would -- I would assume they
22 would have been involved, yes.

23 Q. Okay. Do you know who Ron Deutsch
24 is?

25 A. He's the general counsel for the

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2 company, Celsius, yeah.

3 Q. How long has he been employed by
4 Celsius? Your knowledge.

5 A. Over a year. I don't know if he
6 started in 2020 or 2021. I believe it was
7 2021. Mid/early 2021.

8 Q. So he's been general counsel since
9 you've been employed by Celsius?

10 A. Yes.

11 Q. Are you familiar with his
12 background?

13 A. Generally. Not -- not the firms
14 he worked for. I know he did represent
15 financial services clients.

16 Q. Okay. A little bit earlier you
17 made reference to Joseph Golding-Ochsner. Are
18 you familiar with him?

19 A. Yes.

20 Q. Do you know what his position is
21 at Celsius?

22 A. He's on the legal team, on the
23 internal legal team.

24 Q. And what about Yarden Noy?

25 A. He's on the regulatory team.

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2 Q. And what about Roni Cohen-Pavon?

3 A. He's on the regulatory team as
4 well. He leads the regulatory team.

5 Q. He leads the regulatory. I just
6 listed four different attorneys that are
7 employed by Celsius.

8 Were all four of those attorneys
9 employed -- strike that.

10 Since you were employed at
11 Celsius, have all four employees -- have all
12 four of those employees been employed by the
13 legal department at Celsius?

14 A. And the reg department, yes. They
15 were all -- all four of them have been here
16 since my tenure.

17 Q. Can you explain a little bit about
18 the legal and the regulatory teams. Are they
19 two separate and distinct teams?

20 A. Yeah, two separate and distinct
21 teams. The regulatory team is lead by Roni
22 Pavon, he's on -- is also an ExCo member. And
23 the legal team is ran by Ron Deutsch, the
24 general counsel, and he's also on the ExCo
25 leadership team, executive committee

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2 leadership team.

3 (Stenographer clarification.)

4 Q. Since you've been employed at
5 Celsius, were there or have there been other
6 attorneys employed by Celsius?

7 A. Yeah. There's a legal team, yeah.

8 Q. But the folks that I just
9 mentioned, would you consider them the
10 leadership?

11 A. Yeah. I mean, you have the two
12 heads of the group, and I think Joseph and
13 Yarden are, kind of -- I don't know that
14 they're officially called "deputies," but they
15 are definitely the more senior folks within
16 the team.

17 Q. And all four of them still work at
18 Celsius?

19 A. Yes. In the update I gave to the
20 Court, I believe there was six on the legal
21 team currently and three on the reg team
22 currently, off of memory.

23 Q. And if you know, are you familiar
24 with who would have hired any of those
25 individuals? My understanding is they may

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2 have all started before your tenure.

3 A. Yeah, yeah.

4 Q. Okay.

5 A. I mean, it was a small company
6 then so, you know, I would think that most --
7 the leadership team would have been involved
8 in hiring them, but I'm only guessing.

9 Q. Okay. Are you familiar with the
10 budget that was filed at ECF Docket 1111 on
11 October 17, 2022?

12 A. The cash flow budget?

13 Q. Yup.

14 A. Not the specific one but, yes,
15 with the processing and the -- yeah.

16 Q. I'm not going to ask specific
17 questions, but I just wanted to know if you
18 were generally familiar with --

19 A. I approve each one of those that
20 gets filed.

21 Q. To your knowledge, has there been
22 an updated 13-week forecast?

23 A. Yes. We update it -- we update it
24 regularly.

25 Q. When do you anticipate that an

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2 updated would be filed with the Court?

3 A. We're probably getting to -- it's
4 either this week or next. It's usually --
5 it's usually towards the middle of the month
6 when we file a new report, so...

7 Q. So you expect it probably to be
8 filed with your monthly operating reports or
9 about that?

10 A. Yeah, very soon.

11 Q. So obviously it hasn't been filed
12 yet, but perhaps you've reviewed some of the
13 first drafts.

14 Are there any stark differences
15 between the 13-week forecast that you are
16 aware of?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. I'm just -- I'm just thinking.

21 Q. Yeah.

22 A. Because we do regular versions and
23 we walk them, effectively, explain the
24 variances. I'm just trying to think
25 through -- I don't know of anything that was

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2 significant. I mean, there's always a handful
3 of millions that, kind of, in the launch point
4 that impacts our forecast. And then we
5 obviously have a lot of people looking at,
6 kind of, expected inflows and outflows.

7 Q. Sure.

8 A. But I don't know of anything
9 meaningful that's changed.

10 Q. Okay. At the last hearing last
11 week, do you remember a discussion about
12 whether or not Celsius was currently cash flow
13 positive?

14 A. Yeah, in the mining company,
15 operational cash flow positive.

16 Q. As of today's date, is that still
17 accurate?

18 A. Operationally cash flow positive,
19 yes. Because we curtail and it's neg- -- so
20 we have only six people in mining.

21 Q. Okay.

22 A. And if the energy cost is more
23 expensive than what we can produce in new
24 Bitcoin, we just shut off the machines.

25 So, you know, our operational cash

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2 flows are positive. There is some remaining
3 CapEx as we build out the midland proprietary
4 sites and some power deposits, and things like
5 that.

6 Q. Have you or anyone at Celsius that
7 you're aware of, or Alvarez & Marsal who is
8 the financial advisors for the debtors,
9 prepared a liquidation analysis to date for
10 Celsius?

11 A. We did a very high-level
12 liquidation analysis, and we shared it with
13 the committee.

14 Q. As of today's date -- and
15 obviously you don't have the numbers in front
16 of you -- can you estimate offhand how much
17 general cryptocurrency Celsius has as of
18 today's date?

19 A. Versus the obligations?

20 Q. Yes.

21 A. I'm working off of memory. It's
22 probably around 50 cents on the dollar
23 liquidation value.

24 Q. What about cash on hand?

25 A. Cash on hand is in the 150-60

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2 million range. Cash has been pretty steady.

3 I think it's right around 170. We topped up

4 around 190 and we've drawn down a little bit,

5 but it's hanging in there. Now the

6 professional fees are starting to come.

7 Q. Yeah. A little bit earlier, we

8 touched just -- we touched a little bit on a

9 potential debtor in possession or DIP

10 financing. Just for the record, are you still

11 planning to procure DIP financing as of

12 today's date?

13 A. It's, kind of, the option of last

14 resort.

15 Q. Sure.

16 A. So we're not -- we're hoping that

17 we don't have to do DIP financing.

18 Q. Have the debtors met with any

19 potential financier -- financiers or --

20 A. Centerview ran a process early on

21 in the case.

22 Q. Okay.

23 A. And we -- I did see some of the,

24 kind of, proposals, and they were very

25 expensive.

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2 Q. Based on your understanding of the
3 ledgers and liquidation analysis at Celsius,
4 would the sale of stablecoin affect any future
5 positioning if you were to seek a debtor in
6 possession finance loan later on down the
7 line?

8 MR. McCARRICK: Object to
9 form.

10 You can answer.

11 A. Not that I know of.

12 Q. Are you familiar with the de
13 minimis asset motion, an order that was
14 previously requested and granted in this case?

15 A. Yes, I am.

16 MR. McCARRICK: Objection to
17 form.

18 THE WITNESS: Oh, sorry.

19 MR. McCARRICK: You can
20 answer. It's fine.

21 Q. In it, the debtors sought to sell
22 certain share stocks and other de minimis
23 assets.

24 To your knowledge, has there been
25 any flow of cash or liquidity from those

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2 sales?

3 A. Unfortunately, no. The items in
4 which we hold are marketed, not actively
5 marketed, but there is very little interest.
6 We hold notes on mining companies in the
7 marketplace. Mining companies are crushed.

8 We also hold some stock
9 certificates in a few companies. Typically
10 the flow of daily volume is pretty light in
11 those, and we would move the markets, although
12 we did get nonobjections to sell one. It was
13 under a million dollars. But in general,
14 these are very illiquid and not much in
15 demand.

16 Q. Are you familiar with the status
17 of the sale of the GK8 entity?

18 A. Generally familiar, yes.

19 Q. Would the sale of the GK8 entity
20 or the interest in it affect the liquidity
21 position of Celsius?

22 A. If we were to sell it, it would be
23 a help, yeah. We would have positive net cash
24 proceeds.

25 Q. Do you have an estimate for --

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2 earlier we -- you discussed that you might be
3 able to extend through March without any
4 additional infusion of cash, and with the sale
5 of stablecoin, potentially April. If the GK8
6 entity was sold, do you have an estimation
7 for --

8 A. I -- I estimate that would get us
9 through the second quarter.

10 Q. Through the second quarter.

11 A. So with the stablecoin sale and
12 the GK8 sale, I think that would give us ample
13 liquidity, albeit it would be tight, to
14 probably fund this case.

15 Q. And I know you -- this was asked
16 earlier, but I just want to confirm. How much
17 stablecoin are you currently seeking to sell?

18 MR. McCARRICK: Object to
19 form.

20 A. 18 million.

21 Q. I think the previous request may
22 have been for 23 million. Could you just
23 explain the change from 23 to 18 million for
24 the record?

25 A. Yeah. We wanted to be sure

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2 that -- make sure that we didn't sell anything
3 that had to do with custody or withheld,
4 because those are key outstanding legal items,
5 as well as the loan program.

6 So I think when we looked at the
7 total stablecoin in all the wallets, all the
8 assets that we have, and then we effectively
9 subtract at a coin level, custody, withheld in
10 the lending programs, you get to 18.

11 Q. Are there any costs associated
12 with the sale of stablecoins?

13 A. Very little. Near zero.

14 Q. Just for clarification, where or
15 what wallets are the stablecoins that you're
16 seeking to sell located in?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. I believe these are in the main
21 Fireblock accounts.

22 Q. Is it correct that on that main
23 Fireblock account that the coins may be
24 sitting in are commingled accounts?

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 A. Yeah, it's an omnibus structure.

5 So multiple -- multiple coins are in there,

6 right? We have customer obligations. And

7 then we, on our asset side of the balance

8 sheet, we put them into Fireblocks workspaces

9 for deployment.

10 Right now, obviously, we're

11 preserving the estate, so everything is locked

12 down in the Fireblocks workspaces.

13 Q. Are the coins you're seeking to

14 sell held by a debtor, or are any coins held

15 by a nondebtor entity?

16 MR. McCARRICK: Object --

17 object to form.

18 You can answer.

19 A. All are held by the debtor.

20 Q. Do any nondebtor entities hold

21 stablecoins?

22 A. Not that I'm aware of. There

23 could be a few small amount in, like, the

24 Lithuanian entity, but not that I know of.

25 Q. Would those be in the same

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2 account, the same commingled Fireblocks
3 account, or would they be held separately?

4 A. They would be held with other
5 coins in the main account. Coins are pooled
6 to coin types, and then they're held within a
7 certain workspace. So you would have multiple
8 coins in that workspace.

9 Q. Are the debtors paying any
10 expenses for any nondebtors?

11 MR. McCARRICK: Object to
12 form.

13 You can answer.

14 A. Within the limits granted by the
15 Court. So there's the Israeli entity,
16 including the GK8 entity, and the Serbian
17 entity that are nondebtors. They were funded
18 in the normal course. And then I believe
19 we've also pushed down regular funding to the
20 Israeli and GK8 entity since the case started.

21 Q. Do any nondebtors have any assets
22 that could be used to fund their own
23 operations?

24 A. I can't remember specifically
25 where the GK8 asset sits.

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2 Q. I think it's a -- I think it's a
3 nondebtor entity.

4 A. Yeah. So -- but I believe that's
5 a nondebtor entity owes the debtors. There's
6 a loan extended. But, yeah, my understanding
7 is other than GK8 and certain IP in the
8 Israeli entity, there's not much to sell.

9 Q. So turning a little bit to your
10 declaration, is it fair to say that the
11 debtors have been primarily relying on
12 proceeds generated from the debtors' Bitcoin
13 mining activities in order to fund these cases
14 and its operating expenses?

15 A. I would say that in general, the
16 mining activities fund mining.

17 Q. Solely mining?

18 A. Yeah. Those -- the production of
19 mined -- of new mined coins is for the sole
20 benefit of the mining company. What the other
21 debtor entities have is loan collection.
22 There was significant loans that we called,
23 including Bitfinex maturities, as well as well
24 as the funding that we had as of the petition
25 date.

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2 Q. Is it fair to say that Bitcoin
3 mining is, as of today's date, a primary
4 operation of the debtor?

5 A. No. There's -- I mean, we have
6 167-ish employees, this is as of last week,
7 and the mining organization makes up a total
8 of six. So you can imagine that the folks in
9 legal, the folks in finance were doing cash
10 flow budgets for mining in what we would call
11 "network." So there's a lot of activity in
12 the nonmining debtors.

13 Q. Are you familiar with when the
14 mining activities and mining operations began
15 at Celsius?

16 MR. McCARRICK: Object to
17 form.

18 You can answer if you know.

19 A. My understanding is that it
20 started at scale in 2021.

21 Q. Are you familiar with the
22 purchasing of the mining rigs since you were
23 an employee at Celsius?

24 A. Most of those purchases predate my
25 employment.

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2 Q. Okay.

3 A. But I'm familiar with the process.
4 Most of them were Bitmain, machines that were
5 purchased, some of which are still waiting to
6 be shipped. A lot of them are already in our
7 center or in third-party hosting.

8 Q. At the last hearing, I think there
9 were some comments made that mining is cash
10 flow positive right now. Are you familiar
11 with the more specifics about the mining
12 operation?

13 MR. McCARRICK: Object to
14 form.

15 You can answer.

16 A. Yeah, I manage -- I mean, I
17 supervise the mining business. So I'm
18 familiar with the strategy and the result.

19 Q. Do you know -- strike that.

20 Can you provide an estimate of how
21 many Bitcoin are currently mined per day by
22 Celsius?

23 A. It ranges between 15 and 18
24 Bitcoin per day.

25 Q. Can you provide an estimate of

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2 ongoing mining expenses? I know you don't
3 have the figures in front of you.

4 A. I don't have my calculator either.
5 We have about a 20 percent margin.

6 Q. Okay.

7 A. So our expenses make up about
8 80 percent of that Bitcoin that's mined. So
9 if you were to take the, let's say, 16
10 Bitcoin, multiply it by 30 times the price,
11 you know, and then take times 80 percent, that
12 would give you, effectively, the cost base.

13 The vast majority of the costs of
14 mining are to pay for hosting charges, which
15 are predominantly electricity.

16 Q. Now that we're going into the
17 cooler months, is it your anticipation that
18 possibly those expenses will increase or
19 decrease?

20 MR. McCARRICK: Object to
21 form.

22 You can answer.

23 A. Yeah. I mean, I'm not an energy
24 guy. I was more of a rates guy --

25 Q. Okay.

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2 A. -- in my -- in my background, but
3 energy and rates are both traded instruments
4 that depend on market sentiment. I think the
5 Federal Reserve, with removing accommodation
6 and increasing the funds rate, is slowing
7 demand. But we have the wildcard of the
8 unfortunate war.

9 So it's hard to, kind of, make a
10 bet on one way or the other. Traditionally I
11 like to be neutral on these things.

12 My understanding is there's
13 probably more downward pressure than upward
14 pressure, just given where we are in the
15 cycle. So hopefully things ease a little bit
16 due to demand going down, as well as the hot
17 months or, you know, the air conditioning
18 months in the peak summer.

19 Q. Are you familiar with how ongoing
20 mining expenses are funded?

21 A. Largely with the production of
22 Bitcoin and the cash they have on hand.

23 Q. What about the build-out in -- was
24 it west Texas? Was that where you --

25 A. Yeah, west Texas. Midland, Texas,

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2 yeah.

3 Q. Are you familiar with how that
4 buildout is being funded?

5 A. Yeah. That's funded with both the
6 cash on hand -- there was a -- there was a
7 loan that came down to mining at the petition
8 date that gave them cash, as well as the mined
9 Bitcoin is what's used to fund the mining
10 operations, including the CapEx.

11 Q. The loan for the buildout, do
12 you -- are you familiar with whether or not
13 Celsius is currently making payments on that
14 loan?

15 MR. McCARRICK: Object to
16 form. Outside the scope.
17 You can answer.

18 A. I'm not familiar with that. I
19 don't believe they are.

20 Q. Are you familiar with the critical
21 vendor payments in this case?

22 A. More familiar in the beginning
23 than I am now, but yes.

24 Q. Is it your understanding that the
25 debtors are making ongoing payments on behalf

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2 of or for GK8?

3 MR. McCARRICK: Object to

4 form.

5 You can answer.

6 A. I know -- I know that GK8 has
7 funding. The debtors have provided funding to
8 GK8. And GK8 also has revenue coming in. I
9 believe the net of the two is around \$500,000
10 per month that they effectively need for
11 funding.

12 But GK8 has been ran and continues
13 to be ran semi-independently, so we don't have
14 too much involved in the operations. My
15 understanding is they're trying to get new
16 clients, they're building the technology, and
17 they're paying their engineers.

18 Q. Has there been any discussion of
19 moving the assets of Celsius from Fireblocks
20 to GK8?

21 MR. McCARRICK: Object to --

22 A. We did --

23 MR. McCARRICK: Object to

24 form.

25 You can answer.

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2 A. We did have discussions early on
3 about moving significant amount of coins to
4 Fireblocks, and we decided not to do that for
5 a few reasons: One, the sale process. We
6 didn't want to move assets then to have to
7 potentially bring them back.

8 And, two, GK8 is a cold storage,
9 physical security type of play, and the
10 thought of having billions of dollars in a GK8
11 suitcase with armed guards around it doesn't
12 seem to be the best idea.

13 Q. Okay. Is it your understanding
14 that the debtors are making ongoing payments
15 on or behalf of for Celsius mining?

16 MR. McCARRICK: Object to
17 form.

18 You can answer.

19 A. Mining is funding their own with
20 the cash that they have on hand as well as the
21 mined Bitcoin.

22 Q. Okay. Are there any employees
23 exclusively working on mining operations that
24 are not being funded exclusively by mining
25 revenues?

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2 MR. McCARRICK: Object to

3 form. Outside the scope.

4 You can answer.

5 A. Not that I know of.

6 Q. Are you familiar with the
7 preferred equity holders and the allegations
8 that they're making regarding GK8?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer.

12 A. Not in detail, but I've had --
13 I've had discussions around it. Yeah.

14 Q. All right. If successful, based
15 on your knowledge, would it be fair to say
16 that it is possible that certain value from
17 either GK8 or mining might inure to those
18 preferred shareholders and not to the debtors'
19 bankruptcy estate?

20 A. I understand that's a risk, and I
21 believe this is a key legal question for the
22 judge to rule upon.

23 Q. To the best of your knowledge, if
24 successful -- and when I say "if successful,"
25 I mean if the preferred shareholders are

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2 successful in obtaining that value -- what
3 does the debtor intend to do, if anything, to
4 recoup any of those ongoing expenses that are
5 paid for by the estate, and specifically with
6 respect to this motion and the sale of
7 stablecoins that have benefited a different
8 constituency?

9 MR. McCARRICK: Object to
10 form.

11 You can answer.

12 A. We track the outstanding loans
13 that we've given to GK8. So every time we
14 push down funding, there's a related, you
15 know, entry to record. If the Series B were
16 to get assets, that would come at a great,
17 great cost to the estate and to the creditors.

18 We understand the cash that has
19 moved from debtor to nondebtor. We track it
20 and we can size it.

21 Q. So to confirm, will the stablecoin
22 sale be used to fund the mining operations?

23 MR. McCARRICK: Object to
24 form.

25 You can answer.

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2 A. The mining company has cash flows
3 through January. A lot of that depends on the
4 price of Bitcoin at these levels. Right?
5 It's difficult.

6 The mining company could take out
7 a loan, and it's possible that we would
8 provide funding to them. It's also possible
9 that the mining company would sell mining
10 rigs.

11 So, you know, I think mining is
12 something that we're working on. It's tough
13 to sell rigs in the middle of a sale process.
14 But, you know, that's a possibility. We do
15 have people that are interested in buying
16 thousands of our rigs. So ...

17 Q. So the instant sale of stablecoin,
18 the \$18 million worth, will any of that sale
19 or funding be used to fund the mining
20 operations?

21 MR. McCARRICK: Objection to
22 form.

23 Q. As of -- as of today's date?

24 A. No. No, the money will sit in
25 network. It will not go to mining. Like I

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2 said, mining in January does have a cash flow
3 issue. You know, they'll need to --
4 they'll -- we'll need to figure out a way to
5 fund that. It could be selling rigs. It
6 could be an additional loan. I don't know.

7 I think it depends -- and we'll be
8 close with -- we'll work with the committee on
9 determining what's the best -- what's the best
10 execution for the estate.

11 Q. To that end, are you aware of the
12 debtors marketing or selling the mining
13 company separately?

14 A. Yeah, that process has kicked off.

15 Q. As of today's date, in your
16 knowledge, will the stablecoin sale that
17 you're seeking be used to fund the continued
18 mining buildout in west Texas?

19 A. No, mining has enough on hand to
20 fund the buildout. That's --

21 Q. To the completion?

22 A. To its completion. But in
23 January, late January, they'll need money for
24 operational expenses.

25 Q. If the buildout is not completed,

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2 or if the buildout is -- if the buildout is in
3 some way paused, what impact would that have
4 on the liquidity of Celsius?

5 A. Well, we're at the tail end of the
6 buildout, so probably the biggest expense has
7 to do with the sales and use taxes when we
8 deploy the rigs.

9 So if we were to not -- if we were
10 to slow down production and not deploy the
11 rigs, that would save on sales and use taxes,
12 but we would forego the 20 to 30 percent
13 margin that we have in Midland, Texas.

14 So assuming that we're going to
15 deploy those rigs, you're going to pay the
16 sales and use tax, we should start producing
17 Bitcoin at a positive margin as early as we
18 can. That's the strategy.

19 Now, the actual buildout and the
20 electrification, kind of, does go into the
21 first quarter, early first quarter, but that
22 should all be basically done in earnest by
23 January.

24 Q. As of today's date and your
25 knowledge, will the sale of the current

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2 stablecoin be used to fund GK8?

3 A. Not directly. GK8, like I said,
4 has a little bit of a cash burn, about a half
5 a million per month. If the sale goes
6 through, obviously the proceeds will come back
7 to the estate. If it continues, there could
8 be subsequent funding that might be needed to
9 preserve the value in GK8.

10 But there's nothing on the table
11 expecting that. We're expecting the sales
12 process to be successful. But if it's not for
13 whatever reason, GK8 may need more funding
14 next year.

15 Q. Are any assets of GK8 -- and when
16 I say "assets," I'm specifically talking about
17 either stablecoin or other forms of
18 cryptocurrency -- held in that commingled
19 Fireblocks account we were discussing earlier?

20 MR. McCARRICK: Object to
21 form.

22 You can answer.

23 A. Are any of the assets of GK8? Not
24 that I know of, no. We hold about
25 \$1.5 million worth of cryptocurrency in GK8,

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2 but I don't know of GK8 holding anything with
3 Celsius.

4 Q. Are you familiar with the Prime
5 Trust settlement?

6 A. Not very --

7 MR. McCARRICK: Object to
8 form. Outside the scope.

9 You can answer.

10 A. Not very familiar.

11 Q. To the best of your knowledge,
12 does the Prime Trust settlement adjust when
13 liquidity will change for Celsius?

14 MR. McCARRICK: Object to
15 form.

16 You can answer.

17 A. I don't know the specific coins in
18 Prime Trust. We have -- we include them in
19 our positions. So, of course, if the
20 settlement with Prime Trust brings the coins
21 back, I'm assuming the vast majority of them
22 are Bitcoin and ETH, so they won't change the
23 liquidity.

24 Q. It's based on my understanding of
25 the Prime Trust settlement that it's an

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2 estimated somewhere around \$15 million, and
3 you're seeking to sell about \$18 million worth
4 of stablecoin. If you were to receive that
5 \$15 million from the Prime Trust, would that
6 reduce or eliminate your need to immediately
7 sell the stablecoin?

8 A. No, but my under- -- I don't think
9 so. My understanding is the Prime Trust
10 settlement will return coins, not fiat.

11 Q. Okay.

12 A. So there could be other coins that
13 we're not asking to sell that's part of that
14 settlement.

15 Q. So it won't immediately impact
16 your liquidity position?

17 A. Not -- to my understanding, it
18 will not.

19 Q. And if you know, and I understand
20 you're not intimately familiar with the Prime
21 Trust settlement, the proceeds from the Prime
22 Trust settlement, will those be put in the
23 same commingled Fireblocks account?

24 MR. McCARRICK: Object to
25 form. Outside the scope.

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2 You can answer.

3 A. I would think that we would put
4 all the keys under lock and key the way the
5 security stip requires. So we'll follow the
6 Court's rules, which likely means bringing it
7 back to Fireblocks in a locked network space.

8 Q. I only have a few more questions.

9 A. Okay.

10 Q. Throughout the case, there's been
11 some discussion about in-kind distribution.

12 As of today's date, is that
13 something that you're still contemplating?

14 A. We hope to distribute back to our
15 customers in kind. They clearly want in-kind
16 distribution. So we're fighting for that,
17 yes.

18 Q. Does the sale of stablecoin in any
19 way impact an in-kind distribution?

20 A. No, because stablecoins are
21 effectively one-for-one with dollars. So if
22 you were to say, Let's sell Bitcoin, that, I
23 think, people could argue the price might go
24 up, so you're impacting the estate, where
25 stablecoins is a dollar-for-dollar. I don't

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2 see it as impacting returning in kind.

3 Q. What if the customer either loaned
4 or has on deposit with Celsius stablecoins?

5 MR. McCARRICK: Object to
6 form.

7 You can answer.

8 A. My understanding of the bankruptcy
9 code is that they have a IOU to Celsius, not
10 the coin specifically. So we owe them
11 consideration of that, and we hope to return
12 it in kind. But I don't know that, if you had
13 a stablecoin, you're going to get a stablecoin
14 back. You might get back BTC and ETH.

15 Q. Just one second.

16 Is it your understanding or do you
17 have any knowledge about what has been, I
18 guess, referred to as the custody shortfall?

19 MR. McCARRICK: Object to
20 form. Outside the scope.

21 You can answer.

22 A. Yes, I do have a general
23 understanding of that, yeah.

24 Q. It's -- and is it fair to say that
25 there's a custody shortfall of about

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2 \$16 million?

3 A. That's my understanding, yes.

4 Q. Does the sale of stablecoin at
5 this time impact those custody accounts or a
6 return of those custody assets?

7 A. No. Not at all because we're
8 not -- we're not asking for relief to sell any
9 of the stablecoin related to custody. So we
10 will not be increasing the shortfall.

11 Q. To the best of your knowledge, how
12 do you plan to make up for that shortfall?

13 MR. McCARRICK: Object to
14 form. Outside the scope.

15 You can answer.

16 A. So most of the coins we can source
17 from our main Fireblocks. We just need to
18 move them over to the custody workspace.

19 I think there is -- if you assume
20 all custody and all withheld get paid out,
21 there might be a few million dollars of coins
22 that we have to source. But, in general, we
23 have the coins.

24 Q. A little earlier there was some
25 discussions about whether coins may be

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2 actually moved or if they're just redesignated
3 on the ledger.

4 Just for clarification, and maybe
5 this is -- maybe I should know this, do they
6 pass through a main or aggregator wallet at
7 that point, or how does -- what's your
8 understanding of how those coins move?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer.

12 A. Yeah, and I think it's consistent
13 with the examiner report that things move into
14 the main wallet omnibus structure.

15 Q. Okay. Also, earlier in your
16 testimony, there was just a little discussion
17 about marketing.

18 A. Yeah.

19 Q. So I just wanted to ask a few
20 follow-up questions.

21 So earlier in your testimony, you
22 stated that the marketing program had been
23 shut down by the time you were CFO. Is that
24 correct?

25 MR. McCARRICK: Object to

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2 form. Outside the scope.

3 You can answer.

4 A. Yeah. We stopped soliciting new
5 customers and new funds when I became CFO.
6 Effectively, all new customer activities is
7 not ongoing. So we're not actively marketing.
8 We do not have a marketing team. That does
9 not mean that customers can still, via the
10 blockchain, send coins to our wallets. We
11 can't stop that from happening.

12 Q. Do you know when that marketing --
13 when those marketing efforts would have
14 ceased --

15 MR. McCARRICK: Object to
16 form. Outside --

17 Q. -- approximately?

18 MR. McCARRICK: Oh, I'm sorry.

19 A. I think right around the pause.
20 Now, we were looking in May at reducing
21 marketing expense as part of our program to,
22 kind of, restructure the company, but we ran
23 out of time with the pause, so ...

24 Q. Who was previously in charge of
25 marketing at Celsius?

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2 MR. McCARRICK: Object to

3 form. Outside the scope.

4 You can answer.

5 A. I'm very bad with names, so I'm

6 only going to be able to say the first name.

7 Or I'll say, I believe there was Tushar who

8 ran product and marketing. But -- and I

9 wasn't in these discussions. I saw it

10 firsthand, seldomly, and also heard about it.

11 Alex Mashinsky also had a heavy

12 hand in marketing. Alex ran marketing before

13 Tushar, and then around the petition date,

14 Tushar was let go of and Alex started thinking

15 about the communication side as well.

16 I think even right before the

17 pause, I believe Alex may have taken marketing

18 back. I could be wrong but I believe he may

19 have.

20 Q. Okay. At any point during your

21 time at Celsius, did Celsius engage with an

22 outside marketing or public relations or

23 advertising firm?

24 MR. McCARRICK: Objection to

25 form. Outside the scope.

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2 You can answer.

3 A. We're engaged with C Street on
4 communications right now. I know we did paid
5 marketing through, like, Google and Facebook.
6 I don't know if there was agencies, but I
7 would venture to guess there was some. But I
8 don't think that was a significant amount of
9 spend.

10 Q. It's possible that they may have
11 had some kind of contractual relationship with
12 a traditional marketing or advertising firm
13 that may have assisted Celsius in its
14 outreach?

15 MR. McCARRICK: Objection.

16 Calls for speculation.

17 You can answer.

18 A. I would assume but do not know for
19 sure.

20 Q. And during your tenure, you're
21 unaware of that?

22 A. Other than C Street handling
23 communications internal and external, I'm not
24 aware of marketing.

25 Now, I know through going through

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2 the budget process, there was significant
3 amounts that were, kind of, earmarked for,
4 like, Google leads, Facebook leads, and stuff
5 like that. But that's really, to my
6 knowledge -- I never went line by line by
7 agencies.

8 Q. And just for clarification, those
9 type of efforts are not analytical, they're
10 just actual advertisements?

11 MR. McCARRICK: Object to
12 form. Outside the scope.

13 You can answer.

14 Q. If you know?

15 A. It's always hard to determine the
16 actual capture rate when you're doing, kind
17 of, brand impression. But you can't measure
18 it. I don't know how well it was measured
19 here.

20 I know at JPMorgan Chase, we spent
21 a lot of time and effort tracking the success
22 of our marketing programs. I just haven't
23 been able to do the forensics to understand
24 what was done in the past. I haven't had time
25 for that.

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2 Q. And so I just have, like, one --
3 one more question. And maybe it's the coup de
4 grace question. What -- in your
5 understanding, what exactly is the sale of
6 stablecoin going to fund?

7 A. Oh, operations, payroll,
8 professionals, all the people around this
9 table, the US Trustee's office. So we
10 actually -- yeah, it's true. We have normal,
11 kind of, payroll, vendor costs, and
12 professional fees related to the case. We
13 have some money coming in, but we do have a
14 burn rate. So the burn rate will fund core
15 operations.

16 MS. CORNELL: I think that's
17 all that I have.

18 MR. McCARRICK: Thank you.

19 MS. CORNELL: Thank you.

20 MR. McCARRICK: Yeah, let's
21 take a five-minute.

22 THE VIDEOGRAPHER: The time
23 now is 12:06 p.m. This concludes
24 Media 3. Off the record.

25 (Recess taken from 12:06 p.m.)

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2 to 12:18 p.m.)

3 THE VIDEOGRAPHER: The time
4 now is 12:18 p.m. This begins Media
5 4. On the record.

6 EXAMINATION BY

7 MS. MILLIGAN:

8 Q. Hello, my name Layla Milligan.
9 It's L-a-y-l-a, Milligan, M-i-l-l-i-g-a-n.
10 I'm with the Texas Attorney General's office.
11 We represent the Texas State Securities Board
12 and the Texas Department of Banking.

13 I'm going to have just a few
14 questions for you, Mr. Ferraro, just to follow
15 up and maybe a couple of clarifying questions.
16 If you -- again, if you don't understand my
17 question or it's unclear, I'm 100 percent sure
18 it's my fault, so please just let me know, and
19 I'll do my best to rephrase.

20 A. Okay.

21 Q. When you took your job, which I
22 understand was in March of 2022, with Celsius,
23 what did you review or research to get an
24 understanding of the operations of Celsius
25 itself?

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2 A. Before or after I started?

3 Q. At any time.

4 A. Okay.

5 Q. Either before or after you
6 started, what did you do to understand --

7 A. Yeah.

8 Q. -- how Celsius itself works, not
9 necessarily cryptocurrency in general?

10 A. Yeah, so I had a -- I'd started
11 talking with folks at the company probably in
12 January. So I had a couple months of
13 discussions with a handful of individuals, but
14 nothing really specific about the operations.

15 I would say I hit the ground
16 running March 21, working on the first budget
17 for Celsius. So, you know, you already, as a
18 guy who did this for a living, you're already
19 really late in May, April-May to deliver a
20 budget to the board. It was -- there was a
21 board meeting on May 2.

22 So I, kind of, dove head first
23 into understanding, kind of, the financial
24 architecture of the company and, kind of, how
25 they made money, where they lost money,

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2 et cetera.

3 Q. Okay. And since your role at the
4 company has changed over time, have you done
5 additional research or tried to learn how the
6 operational functions worked at Celsius --

7 A. I mean, since --

8 Q. -- as --

9 A. -- since my role changed, we went
10 into petition. So the operational aspects
11 that Celsius did prepetition and prepause to
12 when I became CFO or CEO are very different.

13 So my efforts are today and in the
14 future, not looking in the past, because I'm
15 trying to maximize value for the estate and
16 for all of stakeholders.

17 Q. You -- just to follow up on some
18 questions that you testified about before, one
19 of the issues is that you've been asked, I
20 think, by the committee and by the US Trustee
21 is regarding the ability to trace stablecoin
22 when it was added to the platform.

23 And I just want to make sure,
24 because I don't want to repeat the question,
25 that my understanding from your testimony was

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2 that they do not trace stablecoin. But I
3 thought I heard you say that they can, it
4 would just take a huge amount of effort.

5 Is that an accurate statement? I
6 don't want to misstate what you said --

7 A. Yeah, I mean --

8 Q. -- I just want to clarify.

9 A. Yeah, we have an omnibus account
10 structure, meaning when customers lend us
11 their coins and we take title to it, we don't
12 trace it back to the customer because it's
13 Celsius' property at that point in time. It's
14 pooled with other like cryptocurrencies
15 typically on Fireblocks. Now --

16 Q. And I understand -- I'm sorry to
17 interrupt.

18 A. I was just going to say that my
19 understanding of the blockchain is that
20 there's lots of data and every transaction is
21 recorded.

22 But in the ledger, what it would
23 say is we owe X, we have X obligation to this
24 person or this individual or this entity.

25 Q. Okay. And you said Mr. Blonstein

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2 would be the person who would be able to --

3 A. I think, yeah --

4 Q. -- accurately testify?

5 A. As the head of product -- as the
6 head of product, and he's also been with the
7 company longer than I have, he would probably
8 be a great resource for you guys to -- for
9 that question.

10 Q. Thank you.

11 You testified about the terms of
12 use generally including a transfer of
13 ownership or lending provisions. That -- did
14 you testify that it was all that you're
15 interested in, was all terms being used
16 included that type of agreement, or just the
17 more recent terms of use? And I'm only asking
18 to -- as to your knowledge?

19 A. Yeah, my knowledge is really --
20 I've gone through the previous terms of use.
21 My understanding is that in all of them,
22 Celsius had the right to rehypothecate,
23 pledge, et cetera. In Terms of Use 6, I think
24 that there was a double-click that needed to
25 happen, both to accept the terms and to click

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2 "accept." And those were, you know, very
3 robust in explaining title, transfer,
4 et cetera.

5 But I believe that that provision
6 of ownership and transfer of ownership was
7 throughout all the terms of use.

8 Q. So I -- in reviewing, I -- I will
9 say I'm certainly not debating you about this,
10 but as far as -- let me, sort of, clarify my
11 question.

12 When a person was signed up with
13 Celsius and they would initially agree to the
14 terms of use, say, someone who joined in June
15 of 2018, did Celsius maintain which terms of
16 use they initially had signed up for? So say
17 Bob Smith signed up for an account on
18 January of '18, does Celsius maintain
19 information and records as far as the initial
20 date --

21 A. Well, because --

22 Q. -- and the terms of use that was
23 agreed to?

24 A. Because you --

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 THE WITNESS: Okay. Sorry

5 about that.

6 A. We know when the customer came,
7 you know, when the customer opened the
8 account. I don't -- and we know that in order
9 to have opened an account, you have to accept
10 the terms of use. So I think, one, it would
11 be very reasonable just to go back to the
12 timing of when the account was opened.

13 Q. Okay. And Celsius maintains that
14 information, the --

15 A. The timing of -- my understanding
16 is yes.

17 Q. Okay. Do you know how they
18 maintain that information? Like, is it in a
19 spreadsheet? Is it in a system somewhere?

20 A. It's -- it would be in the back
21 office system -- right? -- where you track the
22 obligations, the customer information,
23 et cetera. I haven't -- I haven't seen the
24 screens. I think Oren would also be a great
25 place to ask the detailed questions on that.

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2 Q. Okay. And just to clarify,
3 Celsius still has that information, it's
4 just --

5 A. Oh, yeah, we protect all the
6 data --

7 CERTIFIED STENOGRAPHER: I'm
8 sorry, you have to let her ask the
9 question.

10 Can you start the question
11 over again, please.

12 MS. MILLIGAN: Yes. Sorry.

13 Q. So -- and just to clarify, Celsius
14 still maintains that information somewhere in
15 its system currently?

16 A. All data is preserved and
17 protected, yes.

18 Q. Okay. The terms of use did change
19 after you joined Celsius. Understanding that
20 you joined in a different capacity, did you
21 have any involvement in that process, the
22 change of terms of use, after you joined the
23 company?

24 A. No.

25 Q. Okay. Regarding the omnibus or

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2 main account, I'm going to, kind of, refer to
3 "omnibus" because that's the word you've been
4 using during your testimony.

5 To your knowledge, were customers
6 informed that their coins were going to be
7 placed in an omnibus or main account and not
8 held in individual wallets?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer.

12 A. To my knowledge, in the terms of
13 use, it's stated clearly that the customers
14 were transferring ownership to Celsius, and it
15 didn't go into exactly -- there was a risk
16 disclosure, but it didn't go into how the
17 account structures worked, at least off of
18 memory. It wouldn't --

19 Q. Right. So there wasn't specific
20 information provided as --

21 A. I don't know why --

22 CERTIFIED STENOGRAPHER: You
23 have -- I'm sorry, repeat your
24 question again.

25 Q. To your knowledge, there was not

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2 specific information provided to customers
3 that they -- their funds were going into an
4 overall main wallet versus individual wallets?

5 MR. McCARRICK: Object to
6 form. Outside the scope.

7 You can answer.

8 A. I don't know why we wouldn't
9 disclose that. I don't know. I don't
10 remember reading it. And I don't know the
11 purpose of it.

12 Q. But to your knowledge, the answer
13 is, no, they weren't informed of that?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. I don't remember.

18 Q. Okay.

19 A. I don't remember reading it
20 through. So I don't want to confirm one way
21 or another.

22 Q. Okay. All right. I certainly
23 don't want to put words in your mouth. So if
24 you don't know, that's fine.

25 To your knowledge, did Celsius

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2 ever use funds from these omnibus or main
3 wallets to pay interest or rewards to earn
4 program participants?

5 MR. McCARRICK: Object to
6 form.

7 You can answer.

8 A. It's fungible. So coins in the
9 main account, property of Celsius, were used
10 to fund operations, to pledge and borrow, or
11 to pay rewards along with the other funds from
12 capital contributions, et cetera, that are in
13 the main account and in the fiat accounts.

14 Q. Were stablecoins used to pay
15 interest or rewards to earn program
16 participants?

17 A. In kind, stablecoin rewards, yes.

18 Q. To your knowledge -- okay. So I
19 guess, the frictional wallets, as described,
20 would be the same as the main or omnibus
21 wallets. Is that right?

22 MR. McCARRICK: Object to
23 form.

24 You can answer.

25 A. My understanding is the frictional

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2 wallets are wallets to process withdrawals and
3 are not the main. Because that way, if
4 anything happened to the frictional wallet,
5 they wouldn't have access to all of the coins;
6 it's just the frictional wallet. So they
7 would be replenished based on the expectation
8 of withdrawals. That's my understanding.

9 Q. Do you know if any information was
10 specifically given to customers about the
11 frictional wallets?

12 MR. McCARRICK: Objection to
13 form. Outside the scope.

14 You can answer.

15 A. I don't know off the top of my
16 head.

17 Q. Do you know who would know that?

18 MR. McCARRICK: Same
19 objection.

20 You can answer.

21 A. Probably talk to Oren about that.

22 Q. Oren? Okay. Part of that may be
23 marketing. So I think you testified that
24 Mashinsky himself did the marketing, or there
25 was somebody else named Tushar. Is that --

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2 A. Yeah. And Oren would probably
3 have better details on the handoffs. I even
4 think Oren was responsible for marketing for a
5 short period of time.

6 Q. Okay. Thank you. Regarding the
7 questions -- let's see. I guess, would Oren
8 have information about any sort of outside
9 communications, like content videos, Twitter,
10 YouTube, that kind of involvement, that kind
11 of information provided to the public as well?

12 MR. McCARRICK: Objection.

13 Outside the scope. Contract
14 information issues are outside the
15 scope.

16 But you can answer.

17 A. He would be in a better position
18 to talk about it than I would be because I had
19 no involvement in that.

20 Q. Okay. You came on as, I guess,
21 CFO -- and if I'm wrong, please correct me --
22 you came on as CFO in March of 2022.

23 Do you know when the Celsius board
24 first became aware that Celsius was insolvent?

25 MR. McCARRICK: Objection.

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2 Well beyond the scope.

3 You can answer if you know.

4 A. I did not come on as CFO.

5 Q. I'm sorry. Okay.

6 A. I came on as -- yeah. I came on
7 as head of financial planning and analysis and
8 investor relations. I was not at the -- I was
9 not at the board meeting.

10 Q. Okay. So you don't know the
11 answer as to when the board knew the company
12 was insolvent?

13 A. I've never met with the acting
14 board. I've only met with the special
15 committee board. I did not review the
16 minutes. I do not know the answer to that.

17 Q. Okay. Thank you.

18 You mentioned the focus on
19 reorganization or sale of the company. I
20 think you testified here and at the last
21 hearing that, out of your 170 employees on
22 staff, you have three focused on regulatory
23 compliance.

24 And I think it's clear that before
25 the case was filed, there were over 40

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2 regulatory bodies by states, including the
3 federal governmental entities in the US, and I
4 don't know what's going on internationally.

5 Is that correct, that you have
6 three employees that are focused on regulatory
7 compliance going forward -- I mean currently,
8 I guess?

9 MR. McCARRICK: Object to
10 form. Compound.

11 You can answer.

12 A. One clarification, I didn't
13 testify. I gave an opening statement.

14 Q. My apologies.

15 A. I just -- for the record, I just
16 want to make sure that the record is accurate.
17 Second, yes, three people in regulatory. We
18 work very close with Latham & Watkins as a
19 regulatory legal counsel.

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 Q. I think my last question -- and I
21 apologize for the delay -- regarding the
22 actual movement of the digital assets on the
23 platform and entries on the debtors' ledger,
24 who at the company currently -- or in the
25 past, is no longer there -- would have the

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2 most information or be the most knowledgeable
3 as far as that movement and ledger activity?

4 MR. McCARRICK: Object to
5 form. Outside the scope.

6 You can answer.

7 A. I -- I'm processing. I apologize.
8 It's probably going to be the best -- the best
9 discussion would either be with Oren, who I
10 believe is being deposed tomorrow, or the head
11 of technology, Guillermo.

12 Q. And I apology -- I apologize, do
13 you know Guillermo's last name --

14 A. Starts --

15 Q. -- or could you find it out for
16 us? I apologize.

17 A. We can find it out and get right
18 back to you. I apologize, I'm a
19 first-name-basis guy. You know, nowadays with
20 e-mail, you just type in G-u and boom, it up
21 pops. I think it starts with a b.

22 Q. Completely understand. If you're
23 able to figure it out and provide that
24 information, that would really be helpful.

25 A. Okay. Yeah, we'll get it to you.

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2 Sorry about that.

3 MS. MILLIGAN: Thank you, sir.

4 That's all the questions I
5 have. I'll turn it over to any
6 other state regulator.

7 And I appreciate your time
8 today, sir.

9 THE WITNESS: Thank you.

10 MS. CORDRY: I guess that
11 might make me next up.

12 EXAMINATION BY

13 MS. CORDRY:

14 Q. I only have a few very simplistic
15 questions, I think, going back to this whole
16 motion of what you're spending and then your
17 stablecoins and so forth.

18 I think you've specified in here
19 that you have -- the debtor has regular
20 operating accounts, and those have real dollar
21 deposits in them, I would assume, at this
22 point?

23 CERTIFIED STENOGRAPHER: Could
24 you state your name and spell it for
25 me, please.

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2 MS. CORDRY: Oh, I'm sorry,
3 I'm sorry. It's Karen Cordry. And
4 that's K-a-r-e-n and last name is
5 Cordry, C-o-r-d-r-y. And I'm with
6 the National Association of
7 Attorneys General. I'm the
8 bankruptcy counsel there, and I'm
9 working with a group of about ten
10 states that are also participating
11 in this case that we filed an
12 appearance fee for.

13 CERTIFIED STENOGRAPHER: Thank
14 you.

15 BY MS. CORDRY:

16 Q. Okay. So going back to the
17 company, its ordinary course operating
18 expenses, are those primarily funded at this
19 point with normal, sort of, dollar deposits,
20 which, I guess, you call fiat currency?

21 A. Yeah. Most of the expenses are
22 paid in fiat currency. There are some
23 expenses historically where vendors took
24 stablecoins as payments. We would send it to
25 their wallet.

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2 Largely interchangeable native
3 crypto companies might take stablecoins,
4 payroll, you know, fiat. Most vendors --

5 Q. Yes.

6 A. -- fiat, yeah.

7 Q. And then currently you had I think
8 you said something in the range of about 160
9 to \$180 million in those accounts?

10 A. That's correct, yeah.

11 Q. Okay. And that you're currently
12 holding about \$18 million in stablecoin. Is
13 that in those same accounts as well?

14 A. The stablecoins are in the
15 Fireblocks wallets, not in the fiat accounts.
16 And the 18 million is not all of our
17 stablecoin, it's the stablecoin related to the
18 earn accounts.

19 Q. Okay. All right. So I was
20 thinking I was hearing you saying that this
21 \$18 million is not associated with any of the
22 earn, custody, or withhold accounts. But
23 you're saying it's not associated with custody
24 or withhold, but it does relate to the earn
25 accounts.

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2 A. This --

3 Q. Is that correct?

4 A. The stables relates to obligations
5 of earn, because what we've done is we've
6 excluded the custody holdings of stables, the
7 withheld amount in stables, and any of the
8 lending collateral that's stables.

9 Now, the lending collateral in
10 stables, there's very little because it would
11 be silly to borrow stables and provide
12 collaterals stables and then pay an interest
13 rate for it. So, in general, it's mostly the
14 custody program and the withheld program.

15 Q. Okay. So I was mishearing
16 earlier. So one of my questions was going to
17 be, if it wasn't associated with any of the
18 customer accounts, where did it come from?
19 But you're saying it does still associate back
20 to the earn accounts at this point?

21 A. There's obligations in earn but
22 these stablecoins are not associated with the
23 earn accounts. What I'm saying is we're
24 taking the total amount of stablecoins and
25 we're subtracting what relates to withheld and

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2 what relates to custody and lending.

3 So the remaining stablecoins are
4 due to operations and converting
5 cryptocurrency, as well as any obligations
6 that came in from earn. It could be -- it
7 could be dollars, stable -- excuse me -- it
8 could be stables that we borrowed from Tether.
9 Right?

10 These stables are fungible, so
11 it's -- we can't directly link them to
12 anything. But we know they're not related to
13 custody, withheld, or the lending program.

14 Q. Okay. And at this point, if I
15 understand what your view is that these are
16 essentially equivalent to fiat currency, they
17 can be converted to the same price, and what
18 you want to do is simply convert them into
19 dollars and then spend them in the same way
20 that you would spend any of your other funds.

21 Is that what I'm hearing you say?

22 MR. McCARRICK: Objection to
23 form.

24 You can answer.

25 A. Basically, yes.

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2 MS. CORDRY: I think that's

3 really all the questions I have.

4 Thank you.

5 THE WITNESS: Thank you.

6 MR. McCARRICK: Thanks.

7 Are there any other state

8 regulators who have any questions?

9 Well, hearing nothing, is this
10 a good time for a lunch break, then

11 we can come back and do the last

12 session? Does that work for

13 everyone?

14 MR. HERSHEY: Yeah, I think

15 that's a good idea.

16 MR. McCARRICK: Okay. Great.

17 Well, why don't we come back at

18 1:45.

19 MR. HERSHEY: Perfect.

20 MR. McCARRICK: Actually, you

21 know what, let's do 1:15.

22 THE VIDEOGRAPHER: The time is

23 12:38 p.m. This concludes Media 4.

24 Off the record.

25 (Continued on the next page.)

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(Lunch recess taken from

12:38 p.m. to 1:43 p.m.)

- - -

A F T E R N O O N S E S S I O N

- - -

(Time noted: 1:43 p.m.)

- - -

THE VIDEOGRAPHER: The time

now is 1:43 p.m. This begins Media

5. On the record.

C H R I S T O P H E R F E R R A R O, resumed

and testified further as follows:

EXAMINATION BY

MR. CREWS:

Q. Okay. Hey, there.

A. Hi.

Q. So I figured I'd just start
introducing myself. My name is Cameron Crews.
I'm a pro se creditor. I opened my Celsius
account in August of last year. And
initially, I started with a small deposit of
3.5 ETH, and as of today, I have \$27,000 worth
of stablecoins, a little under 1 Bitcoin, and

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2 21 Ethereum and then some related assets. So
3 at one point it was worth up to \$120,000, but
4 now it's a little under 70,000.

5 I, kind of, wanted to start, you
6 mentioned you began with Celsius in March of
7 this year. Correct?

8 A. Yes, yeah, March 21.

9 Q. And then do you yourself have a
10 Celsius account?

11 A. No. I am employed out of
12 Washington State, and I was not able to open
13 one.

14 Q. Okay. Are you -- would you have
15 been able to open one in Ecuador, though,
16 or ...

17 A. I don't know.

18 Q. I was wondering, in terms of the
19 terms of service, could you describe material
20 differences that were introduced in July
21 of 2021?

22 MR. McCARRICK: Objection to
23 form.

24 You can answer.

25 A. I don't have -- I don't have the

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2 details. I'm not an expert in it. So it
3 would be hard for me to describe the deltas
4 between one version and another other than,
5 kind of, 6 and 8. I know that that was the
6 big -- that was the launch of custody and the
7 terms of the exchange for that.

8 Q. Okay. So would you say -- would
9 you agree that at some point, when the assets
10 were custodied by -- it was Prime Trust, when
11 the company was headquartered in the UK or
12 England, those assets were considered customer
13 assets?

14 MR. McCARRICK: Objection.

15 Objection to form.

16 You can answer.

17 A. I think they were Celsius assets
18 with obligations to the customer. I don't --
19 I don't know that that was a custody
20 relationship. Like I said earlier, I'm not an
21 expert in the Prime Trust.

22 Q. Okay. So you would say at that
23 point that the title would still remain with
24 Celsius even at that point of the contract?

25 MR. McCARRICK: Object to

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2 form.

3 A. I'm not --

4 THE WITNESS: Sorry.

5 MR. McCARRICK: You can

6 answer.

7 A. I'm not an expert in the Prime
8 Trust, so I don't know exactly what was going
9 on.

10 Q. Okay. Are you familiar with a
11 change to Clause 8 titled "Ownership of
12 Digital Assets" that was made in July of 2001?

13 A. Not specifically, no.

14 Q. Okay. Let me share my screen. So
15 I have up here a highlighted version of a
16 prior to July 2001 and subsequent. And you
17 can see in the prior version, it says that
18 you:

19 "Hereby represent a warrant at
20 all times to us during which you
21 hold digital assets in your Celsius
22 wallet, that any digital asset used
23 by you in connection with your
24 Celsius wallet is owned by you."

25 Is that what it says?

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2 MR. McCARRICK: Could -- could

3 I just ask, is this -- are these

4 excerpts from -- I -- could you

5 just --

6 MR. CREWS: Yes.

7 MR. McCARRICK: -- lay a

8 little bit of foundation for what

9 you're asking about. I'm happy to

10 --

11 MR. CREWS: Certainly.

12 MR. McCARRICK: -- your

13 question.

14 MR. CREWS: Yeah. So I have a

15 GitHub repository here which looked

16 using the Internet archive Wayback

17 Machine at the different versions of

18 the terms of service at different

19 points in time.

20 So what you see here is a DIF

21 between the prior version and the

22 one that was introduced in July

23 of 2021.

24 So I've zoomed in on the

25 specific changes to this clause. So

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2 you can see the one that was
3 removed, this is -- the prior
4 version is here. And it's
5 highlighted in red. And I can send
6 the link to this.

7 MR. McCARRICK: We may ask for
8 it after.

9 MR. CREWS: Yeah.

10 MR. McCARRICK: I would
11 just -- Mr. Ferraro, if you don't
12 know what this is, what it comes
13 from, or what different kind of
14 versions it's, you know, dealing
15 with, just make sure you're
16 testifying as to your, kind of, own
17 personal knowledge.

18 But feel free to inquire.

19 MR. CREWS: Yeah. Okay.

20 THE WITNESS: I should have
21 brought my glasses.

22 MR. CREWS: Yeah. Sorry.

23 BY MR. CREWS:

24 Q. So then subsequently, the language
25 changes to say that:

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2 "Any digital asset delivered
3 by you for the purpose of utilizing
4 Celsius services."

5 So it's -- you're delivering it,
6 and then it added this clause here that:

7 "All digital assets transfer
8 to Celsius as part of the services
9 are owned and held by Celsius for
10 its own account."

11 So that didn't exist in the prior
12 terms of service?

13 MR. McCARRICK: Objection to
14 form.

15 You can answer to the extent
16 you know.

17 A. I don't know -- I don't know the
18 details of each terms of use. Like I said,
19 I've read through them, but I was not part of
20 drafting them, reviewing them, approving them,
21 so it's hard for me to give insight on the
22 specific changes.

23 Q. Yeah. Would you be surprised if
24 customers such as myself weren't aware that we
25 were transferring title of our assets?

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2 MR. McCARRICK: Objection to
3 form.

4 A. From my understanding, not a
5 customer, but in looking through the
6 materials, to me it is crystal clear in
7 Version 6 with a double-click necessary in
8 order to say the terms in use is transferring
9 the title to the Celsius.

10 Q. Yeah. Now, I happened to join in
11 August of that year, and I didn't get the
12 notifications that Oren Blonstein had sent --
13 there was all those e-mails. So because I had
14 joined subsequent to that, I wasn't made
15 aware of those -- I didn't receive any of
16 those e-mails.

17 A. But you would have clicked on the
18 terms of use when you opened your account.

19 Q. Presumably. I don't have
20 recollection of that.

21 A. Well, we know systematically that
22 everybody clicked on it, double-clicked on it,
23 Version 6, and it was crystal clear that the
24 ownership was transferring to Celsius --

25 Q. So --

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2 A. -- in order to pledge,
3 rehypothecate, lend, et cetera, sell.

4 Q. And did you have a digital
5 signature?

6 A. The system -- we -- Oren is
7 probably going to be the best way of going
8 through this, but the system does not process
9 new accounts without accepting.

10 Q. Yeah. Now, would you say that the
11 marketing efforts have been consistent with
12 the terms of service?

13 MR. McCARRICK: Objection to
14 form. Outside the scope.

15 You can answer.

16 A. I wasn't part of the company at
17 this point in time. I've read the risk
18 disclosure. I personally think it's clear.
19 Like I said, I focused on 6 and 8.

20 I did not -- like I said earlier,
21 I watched the sum total of about two or three
22 AMAs. So I was not following the marketing,
23 especially when you were coming on board as a
24 customer.

25 Q. Great.

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2 Yeah, I wanted to bring up Exhibit
3 E from my filing, 914. And it's just a
4 snapshot of one of the marketing things on the
5 home page that was from May 8 of this year.
6 And it says "Access your coins whenever, keep
7 them safe forever?"

8 Does that seem consistent with the
9 terms of service?

10 MR. McCARRICK: Just one
11 second.

12 First, object to form.
13 Outside the scope. Second, is the
14 bolding of "your" --

15 MR. CREWS: That was added by
16 me.

17 MR. McCARRICK: Okay.
18 You can answer.

19 A. My understanding is that users in
20 ordinary course prepausage could take their
21 coins off the platform. So, you know, once
22 they took the coins off the platform, title
23 transferred back to the customer.

24 Q. Okay. And could customers
25 unilaterally take coins off the platform?

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2 MR. McCARRICK: Object to

3 form. Outside the scope.

4 You can answer.

5 A. My understanding is in ordinary
6 course, if the customer wanted a withdrawal,
7 the customer would have a withdrawal.

8 Q. Okay.

9 A. Prepause.

10 Q. And let's say a customer deposited
11 USDC. What asset would they then be able to
12 withdraw?

13 A. They have an obligation to be
14 returned USDC in normal course.

15 Q. Okay. So if a customer has
16 deposited USDC in normal course, they'd be
17 able to withdraw the USDC. Did I get that
18 right?

19 MR. McCARRICK: Object to --

20 A. Prepause.

21 MR. McCARRICK: Object to
22 form.

23 You can answer.

24 A. Prepause, yes.

25 Q. Okay. Now, are you familiar with

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2 the swap feature?

3 A. Yes.

4 Q. Would a customer be able to swap
5 their USTC for another asset?

6 MR. McCARRICK: Object to
7 form.

8 You can answer.

9 A. If it was rolled out in their
10 location prepausage.

11 Q. Okay. Now, could you help -- I'm
12 a little confused by that because, if the
13 asset -- the USDC is Celsius and the title
14 belongs to Celsius, how is a customer able to
15 direct the changing of that asset into another
16 cryptocurrency?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. They're changing the obligation in
21 the ledger. So the Celsius owes you a USDC,
22 you swap it, we now owe you a Bitcoin. It's
23 in the obligation.

24 Celsius assets, we didn't
25 necessarily go out and swap USDC for anything.

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2 This is a ledger back-office transaction.

3 It's your obligation that was updated on the
4 swap.

5 Q. So if -- typically, as far as I'm
6 aware, if you have title to something, you
7 control what happens to that thing.

8 For instance, I can't -- if I had
9 a relation- -- like, if somebody had title to
10 a house, I'm not able to just change it to
11 something else, to a car. So the title holder
12 has the ability to determine what happens to
13 that asset.

14 So you help -- do you understand,
15 then, how the customer is able to direct this
16 change that Celsius holds title to?

17 A. Yes.

18 MR. McCARRICK: Objection --
19 to the form.

20 But you can answer.

21 THE WITNESS: Sorry.

22 A. Yeah, a little bit different than
23 the house. If you choose to sell your house,
24 the house actually sells. When you choose to
25 swap USDC for, let's say, Bitcoin, there's not

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2 necessarily an action on the side of Celsius.

3 We are not necessarily changing the coin

4 buying and selling Bitcoin for USDC.

5 Your obligation changes. So you

6 telling Celsius to swap this for that does not

7 necessarily change what we do with the actual

8 coin. That is under our control and under our

9 ownership. We're just changing the

10 back-office obligation to you. Now we owe you

11 a Bitcoin and not USDC.

12 Q. And the fact that it -- a swap

13 would not actuate, like, a blockchain

14 transaction would be how you were able to

15 provide that service free of charge?

16 MR. McCARRICK: Object to

17 form.

18 You can answer.

19 A. I don't -- I don't think it has --

20 the transfer title has anything to do with

21 free of charge. Free of charge was a pricing

22 decision, a marketing positioning place. We

23 wanted to roll out swap and make it have a

24 high uptake by the customers.

25 In May we were starting to think

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2 about charging swap fees, and those were being
3 rolled out until the pause happened.

4 Q. Okay. Let's see. Now, you
5 mentioned earlier that you'd read 50 letters
6 from customers. Is that correct?

7 A. Yeah. Over 50.

8 Q. Do you happen to recall a letter
9 from Rebecca Gallagher?

10 A. I wouldn't remember any names at
11 this point in time.

12 Q. Okay. Well, I can tell you a bit
13 about her situation. She's a fellow pro se
14 creditor. And she had sold her house and put
15 the proceeds into Celsius and has in her
16 account about \$350,000 in USDC stablecoins and
17 4 Bitcoin, among other assets. And she was
18 not aware that she was, you know, literally
19 giving her house away. We talked about house
20 titles a little while ago.

21 Can you -- do you think that, just
22 as a human, do you think that's fair, that she
23 now stands to potentially lose her life's
24 savings?

25 MR. McCARRICK: Object to the

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2 form.

3 You can answer.

4 A. So I grew up in a regulated
5 company. I worked for JPMorgan right down the
6 street. Okay? I joined Celsius March 21,
7 2022. I'm heartbroken. I'm sitting here in
8 front of you, and I'm heartbroken at this
9 situation.

10 And what I'm -- kind of, come from
11 a background where things were regulated and
12 stuff, this didn't happen -- right? -- the
13 FDIC would close down the company.

14 So Celsius and the customers
15 are -- it's a horrible situation.

16 THE VIDEOGRAPHER: Your
17 microphone.

18 THE WITNESS: Sorry.

19 A. It's a horrible situation. And
20 I -- every single day I wake up trying to get
21 value back. I can't control the previous
22 mistakes. I think this situation with Rebecca
23 is awful. And I want to help the situation.
24 That's why I'm here. That's why I sit in this
25 chair right now.

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2 Q. That's good to hear. Just, I
3 guess, switching to a somewhat related topic.
4 Are you familiar with promotional codes that
5 users were offered to deposit?

6 A. I've seen some of the, lack of a
7 better word, coupons of them. Right? Yeah.

8 Q. Yeah. One of them was offered in
9 the spring of this year, was labeled
10 B22SATS20000, where users could receive \$500
11 worth of Bitcoin if they were to deposit
12 \$20,000 worth of Bitcoin and then hold them on
13 the platform for, I believe, six months.

14 Now, I think part of the terms
15 would be, like, your deposit would be voided
16 if you were to withdraw any of the assets from
17 the platform.

18 Would that potentially encourage
19 users to keep their assets on the platform, do
20 you think?

21 MR. McCARRICK: Object to
22 form.

23 You can answer.

24 A. I mean, I think customers who
25 bring additional balances onto the platform

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2 because they're getting rewarded with Bitcoin,
3 \$500 of Bitcoin or whatever it is, there's
4 a -- there is a marketing program to try to
5 get people to come onto the platform and grow
6 balances. And yes.

7 So I think people probably added
8 additional funds, just like they would open a
9 checking account across the street if they
10 gave them \$250. Right?

11 So there was an incentive there
12 for people to bring on and to keep it there
13 for six months under your example.

14 Q. Yeah. Now, that particular promo
15 code had a clause where if the value of your
16 deposit declined, you would also forfeit the
17 rewards.

18 Are you aware of any notice that
19 was provided to customers if their account
20 balance dropped below that threshold?

21 A. I --

22 MR. McCARRICK: Object to
23 form.

24 Are you summarizing or reading
25 from something? Just want to make

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2 sure the record's clear.

3 MR. CREWS: I'm summarizing,
4 yeah.

5 MR. McCARRICK: Okay. Object
6 to form.

7 You can answer.

8 A. I don't know the details.

9 Q. Okay. I suppose, just to share a
10 bit of my situation, I had claimed that
11 deposit code in addition to a few others and
12 deposited \$26,000 worth of Bitcoin on around
13 March 9, I believe. And the promotion code
14 was voided because market price declined.

15 But I wasn't provided notice, in
16 which case there wasn't going to be a reason
17 to keep assets on the platform. So I just
18 wanted to fill you in on that.

19 A. We can -- we can look into --

20 MR. McCARRICK: Object --
21 yeah, object to form.

22 But I don't think there was a
23 question, so no call for a response.

24 THE WITNESS: Yeah.

25 MR. CREWS: Yeah.

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2 Q. Are you familiar with Aliza
3 Landes, who is or was the VP of retail lending
4 at Celsius?

5 A. I've heard the name. I believe
6 she is the wife of Daniel Leon and used to run
7 retail lending. This is way before my time,
8 and I've never met Aliza -- Aliza. Yeah.

9 Q. Okay. There was a statement she
10 made in 2020 about ownership of USDC and fiat
11 that customers would receive when taking out a
12 collateralized loan at Celsius. And I wanted
13 to just share that.

14 MR. CREWS: Share my screen
15 again.

16 Q. So in an AMA she hosted with
17 Celsius, she said -- this is in relation to
18 avoidance of default of loans. She said:

19 "Those are their funds and
20 their crypto, and they get to decide
21 what to do with it."

22 And there is a Twitter link here
23 where -- well, I don't think this is going to
24 play, but she's, you know, saying those words.

25 And do you think that this is

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2 consistent with the terms of service, as you
3 understand them?

4 MR. McCARRICK: Object to
5 form. Outside the scope.
6 Incomplete information.

7 But answer to the best of your
8 ability.

9 A. I'm not quite sure the context,
10 what she said around it. I go back to the
11 contract, the terms of use, and what it
12 explicitly states.

13 Like I said, I don't -- I have a
14 job. I don't watch YouTube. I -- I didn't
15 watch the AMAs. I definitely have not seen
16 Aliza. So I can't remark on what she may or
17 may have not said in 2020.

18 Q. Do you think Celsius has an
19 obligation to correctly inform their customers
20 of the obligations and risks when opening a
21 Celsius account?

22 MR. McCARRICK: Object to
23 form.

24 You can answer.

25 A. I would think -- again, I come

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2 from two decades in banking where -- highly
3 regulated. So I tend to look at the world
4 through that lens. Crypto is completely
5 different. But I generally think that
6 customers, you know -- or, sorry -- companies
7 that want to have customers for the long run
8 speak truth to them.

9 Q. I agree to that. There was one
10 other quote from that same AMA when she was
11 addressing customers who would be leery about
12 taking out a loan. And the way she explained
13 it was:

14 "You're not going into debt,
15 you're just borrowing against
16 something that you own."

17 And again, does that seem
18 consistent with the terms of service?

19 MR. McCARRICK: Objection.
20 Outside the scope. Incomplete
21 information.

22 Answer to the best of your
23 ability.

24 A. I don't know the context of what
25 she's saying, but this statement --

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2 THE WITNESS: Can you hold it
3 for one second --

4 MR. CREWS: Yeah.

5 THE WITNESS: -- just
6 because -- can you scroll up --

7 MR. CREWS: Oh, sorry.

8 THE WITNESS: -- because that
9 camera is in the way. I'm sorry.
10 Sorry about that.

11 A. Her -- the statement she makes --
12 says makes no sense to me. You're not going
13 into debt, you're borrowing. So I don't --
14 I'm not quite understanding what the sentence
15 even means. It's contradicting itself.

16 Q. I'd agree with that. And when I
17 went to withdraw stablecoins on June 13, I
18 wasn't able to. Could you explain why?

19 MR. McCARRICK: Object to
20 form. Outside the scope.

21 You can answer.

22 A. I believe that was under the
23 pause.

24 Q. Correct. So could you explain why
25 the pause was enacted.

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2 MR. McCARRICK: Object to

3 form.

4 You can answer.

5 A. I think most of this is noted in
6 the first-day declaration where it gives the
7 reasons for it. Right? Backdrop, difficult
8 marketplace; backdrop, have taken significant
9 legacy losses; backdrop, a lot of customer
10 withdrawals.

11 All of those things gave rise to
12 the pause, so we can take a breather, get
13 bankruptcy protection -- right, well, not at
14 that point in time -- take a breather. Then
15 when we filed, decided to get bankruptcy
16 protection, that way we can treat the estate
17 fairly. So ...

18 Q. So would part of that be that the
19 funds were not available to pay out more
20 withdrawals beyond that?

21 MR. McCARRICK: Objection to
22 form. Outside the scope.

23 You can answer.

24 A. I think we paused because
25 liquidity was getting short. And we didn't

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2 want to give benefit to the first person in
3 line to the detriment of the last person in
4 line.

5 Q. Now, would you say that somebody
6 who withdrew on June 12 benefited to the
7 detriment of somebody who tried to withdraw on
8 June 13?

9 MR. McCARRICK: Object --
10 object to form. Outside the scope.

11 You can answer.

12 A. I think that's a leg- -- like,
13 kind of, a bankruptcy question about our
14 withdrawals before the bankruptcy date
15 preferential. I don't know. I'm not an
16 expert in this space. I'm probably not the
17 right one to answer that question.

18 Q. Okay. But you estimated that
19 potentially there would be, if we were to go
20 to liquidation, customers might receive 50
21 cents on the dollar.

22 So do -- did the customer who
23 tried to withdraw on June 13 do anything
24 themselves differently, materially different
25 than the customer who withdrew 100 percent on

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2 the dollar plus rewards on June 12?

3 MR. McCARRICK: Objection to

4 form. Outside the scope.

5 You can answer.

6 A. I think that distinction is pre
7 and post pause. If you were pre, the -- you
8 know, you got a withdrawal. And if you were
9 post, the accounts were frozen.

10 Q. But the customer themselves wasn't
11 responsible for that, were they?

12 MR. McCARRICK: Object --
13 object to form. Outside the scope
14 and vague.

15 You can answer.

16 A. Not quite sure of the question.
17 I'm sorry.

18 Q. The question was: Did the
19 customer do anything to potentially get half
20 as much, in the event of a liquidation, if
21 they missed withdrawing before the pause?

22 MR. McCARRICK: Objection to
23 form. Outside the scope.

24 You can answer.

25 A. I mean, I don't think the customer

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2 would just withdraw before the pause, so they
3 were able to get their funds. Post pause, you
4 can't withdraw. Now it's handled by a
5 bankruptcy estate. So I think that's the
6 marker, is just pre and post pause.

7 I'm not going to cast, like, was
8 that customer hurting the other customer.
9 What I can say is we thought the pause was
10 right because we wanted to protect the people
11 that were on the platform.

12 Q. Okay. Maybe I'll put it just one
13 more way: Would you say that it's, like, a
14 customer -- the customer's fault for not
15 withdrawing it prior to the pause?

16 A. I don't think the fault is with
17 the customer at all. I mean, I think -- I
18 think it's -- again, go back to the backdrop
19 that I stated, bad marketplace, legacy losses,
20 there are significant withdrawals. It's a bad
21 situation.

22 The customer is not at fault.
23 Celsius -- Celsius had title to the assets.
24 Celsius took some -- did some bad
25 investments -- right? -- looking back. It's,

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2 kind of, a risk -- risk deployment. So
3 sometimes you win; sometimes you lose.
4 Celsius lost too many times.

5 Q. And you testified -- or -- this is
6 a testimony, I think. Right? That's the
7 correct term? You testified earlier today
8 that the return for what you deem
9 "surrendering of title" to our assets to
10 Celsius, that we received yield in return. Is
11 that right?

12 MR. McCARRICK: Object to
13 form.

14 You can answer.

15 A. And the ability to be on the
16 platform. Yield was the main consideration
17 but also, you know, safeguarding your crypto,
18 being able to see your account balance, stuff
19 like that, that was all listed in the terms of
20 use as well.

21 Q. Okay. Would you say that for
22 somebody such as myself who has only deposited
23 onto the platform, never withdrawn, that I've
24 not realized a benefit to this supposed
25 interest rate or return, whatever we want to

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2 call it?

3 MR. McCARRICK: Object to

4 form. Outside the scope.

5 You can answer.

6 A. Can you -- can you restate it, I'm

7 sorry.

8 Q. Yeah. Having deposited into

9 Celsius without withdrawing, I suppose, like,

10 in what real sense have I benefited from the

11 earn program?

12 MR. McCARRICK: Same

13 objections.

14 You can answer.

15 A. Your obligations have accrued

16 rewards. The problem is is we paused so you

17 couldn't get your funds out and now we're in

18 bankruptcy. That's the issue. The intent was

19 that you would earn your rewards and that you

20 would be able to quietly enjoy them.

21 Q. Yeah. So in order to realize that

22 benefit, the company needs to be able to have

23 the resources in order to pay those rewards

24 or -- and the principal?

25 MR. McCARRICK: Objection to

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2 form.

3 You can answer.

4 A. Yeah, in order to realize the
5 benefit, to monetize the benefit, there's some
6 benefit in just accruing -- right? -- you
7 stayed on the platform while you were
8 accruing. My understanding you didn't
9 withdraw. So there was some benefit as you
10 looked at your balance and the balance was
11 increasing over time.

12 The problem was we paused and now
13 we're in bankruptcy. So, yeah, I mean, the
14 issue is now we're an estate and we're trying
15 to maximize value to give back to yourself and
16 the other creditors.

17 So it's, kind of, like -- all of
18 your balance -- your balance includes all the
19 rewards, your obligation -- right? -- the
20 claim. So that's what we're fighting for is
21 to get you as much back on that claim amount
22 as possible.

23 Q. Okay. And was Celsius solvent
24 when it paused on June 12?

25 MR. McCARRICK: Object.

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2 Outside the scope. Form.

3 You can answer.

4 A. I think at the point when we
5 paused, when I think back, I think that's,
6 kind of, the point where Celsius said, We have
7 a solvency problem.

8 I was not part of that decision.
9 I was not with the board. I did not have
10 knowledge of that decision. I'm only saying
11 from where I sit today thinking back probably
12 that's the event where they said, We have an
13 issue with solvency.

14 Q. Yeah. And in the Mashinsky
15 declaration I believe he listed a \$1.2 billion
16 deficit which included assets with sell tokens
17 valued at hundreds of millions of dollars.

18 So that would seem to be
19 insolvency. Right?

20 MR. McCARRICK: Object to
21 form. Outside the scope.

22 You can answer.

23 A. I mean, that was at the bankruptcy
24 filing.

25 Q. Okay.

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2 A. So that was post the pause.

3 Q. Yeah. Sure.

4 A. And we filed for bankruptcy. So I
5 would assume that, kind of, says, yeah, we're
6 not solvent.

7 Q. And this insolvency would have
8 occurred over time, presumably. Correct?

9 MR. McCARRICK: Objection to
10 form. Outside the scope.

11 You can answer.

12 A. No. The balance sheet, the
13 balance sheet accrues and that takes losses
14 over time. But solvency is not a, you know,
15 sort of thing -- right? -- you at some point
16 in time become insolvent.

17 Now, I haven't studied -- studied
18 the definitions and all that type of stuff.
19 But, you know, there was ample liquidity, the
20 balance sheet, to my knowledge back then with
21 the value -- the accounting, following
22 accounting principles was, you know, had
23 equity.

24 The mining company, we had people
25 who wanted to invest that would have made the

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2 mining asset worth literally over \$1 billion.

3 So with the balance sheet, there
4 was a lot of value in that balance sheet. And
5 what happened was when the crypto prices and
6 the crypto market, kind of, went into this ice
7 age, the value of those assets decreased
8 massively, and our ability to monetize those
9 assets and get liquidity went away, and that's
10 what let up to the pause and then the filing.

11 Q. And just for clarity, when we're
12 talking insolvency, my understanding is it
13 would be when your liabilities exceed your
14 assets.

15 Is that a reasonable definition?

16 MR. McCARRICK: Object to
17 form. Outside the scope.

18 You can answer.

19 A. I think of it as, well, accounting
20 is like a -- not a practicing CPA anymore, but
21 from thinking back to my school days 25 years
22 ago, I think it's when you can no -- when you
23 believe that you cannot pay your obligations.

24 So it's a little bit of, you know,
25 your balance sheet is following specific

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2 things but, if you have a mining asset that
3 you think is going to be worth \$2 billion and
4 that you're going to monetize, you're probably
5 still solvent.

6 But again, I'm not a lawyer. I'm
7 not looking at the definition. That's my
8 understanding.

9 Q. Yeah. I mean, I would think that
10 liquidity would be your ability to pay your
11 obligations because you might have, you know,
12 hundreds of millions locked in mining that you
13 can't get access to today, so you can't pay
14 depositors who necessarily want their funds
15 back today, but you would be solvent, just
16 illiquid. So that would be a distinction
17 between those two terms.

18 But then insolvency would be you
19 have obligations that exceed even those
20 illiquid assets.

21 MR. McCARRICK: Are you asking
22 him to agree or disagree?

23 MR. CREWS: Just in terms of
24 clarifying the terms, yeah.

25 MR. McCARRICK: Okay.

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2 Objection to form. Outside the
3 scope.

4 You can respond.

5 A. I mean, I think insolvency is when
6 you can no longer pay your bills to some
7 extent, and your idea of a going concern goes
8 away. That means that the value of your
9 franchise is worth less than the liabilities
10 that you have.

11 Q. Yeah.

12 A. Crypto was booming. And the
13 balance sheet was, you know, recorded largely
14 at cost. Some of the investments were
15 mark-to-market.

16 Again, we thought the mining asset
17 was going to be worth billions. I don't -- I
18 wasn't with the company at that time. But
19 looking back, I think it's easy to think why
20 there was a going concern.

21 Q. Mm-hmm.

22 A. Right? And I think at the pause,
23 we were in the middle of this crypto winter.
24 We didn't think that there was a way out. I
25 think that's when they said, you know, that's

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2 triggered insolvency, pause, don't let people
3 go out anymore. And then we got to a point
4 where we decided that we have to file.

5 Q. Just for -- as clarity, I'll just
6 propose my definition of insolvency being when
7 all your assets, including liquid assets, are
8 subsumed by a greater -- your liabilities
9 essentially are larger than those -- all those
10 assets combined. So you have more liabilities
11 than your assets.

12 And under that definition, with
13 the bankruptcy filing there was a deficit of
14 1.2 billion?

15 A. 1.2 approximately, yeah.

16 Q. So you don't go from zero to 1.2.
17 It would have occurred over a period of time.
18 Correct?

19 MR. McCARRICK: Objection to
20 form. Outside the scope.

21 You can answer.

22 A. Yeah. It's what I said at the
23 beginning is that it just -- it doesn't
24 happen, but there's a tipping point where you
25 say, We're not a going concern anymore.

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2 It's important to note the
3 accounting includes the sell token on the
4 balance sheet, and when the sell token started
5 to decrease in value -- right? -- this, kind
6 of, hit the perfect storm.

7 So it wasn't just sell token, it
8 was other crypto assets were going down, the
9 mining company on -- in reality the bids went
10 dry, there was really no way to monetize that
11 asset. You see what's happening right now in
12 the space, we need a turnaround, and I think
13 that's when they, kind of, came to the
14 conclusion, Yeah, we need to pause.

15 Q. And you mentioned that you were
16 aware of a May board meeting that happened,
17 really, a couple of months after you joined?

18 A. Yeah. It was, I think, May 2. I
19 think it was one day, I could be wrong, but I
20 believe it was May 2.

21 Q. And were you present at that board
22 meeting?

23 A. No. I was in Quito, Ecuador.

24 Q. Did you have a chance to review
25 the examiner's interim report in reference to

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2 that meeting?

3 A. I read the examiner's report, yes.

4 Q. Yeah. There was a quote on page
5 78 that referenced the board meeting minutes
6 where it was acknowledged that Celsius'
7 capital "sits at near zero."

8 Would this have been May 2?

9 MR. McCARRICK: Objection to
10 form. No foundation. Calls for
11 speculation.

12 You can answer to the extent
13 that you're able.

14 A. My understanding the board
15 meeting -- my understanding is the board
16 meeting was on May 2. I was not at the board
17 meeting. I have not reviewed the minutes. I
18 reviewed the examiner's report just like you
19 did.

20 Q. Okay. I suppose the last on this
21 topic before changing would be: Would you
22 agree that the inability to withdraw assets
23 impairs their utility to your customers?

24 MR. McCARRICK: Objection to
25 form. Outside the scope.

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2 You can answer.

3 A. Yeah, I mean, clearly if the
4 customer is trying to withdraw, they want
5 their -- they want to get their title back to
6 the digital currency. And post pause that
7 wasn't -- that wasn't available. So obviously
8 that had a detriment to the overall customer.
9 And that's why we're here.

10 Q. Yeah.

11 A. We're here to maximize the value
12 and get as much as we possibly can back. It's
13 unfortunate how we got here, but, you know,
14 from the pause to the filing, you know, we now
15 go into an estate, and we're trying to fight
16 to get you back as much of your obligations as
17 we possibly can.

18 Q. And are you aware if rewards in
19 your Celsius account compound?

20 MR. McCARRICK: Objection to
21 form. Outside the scope.

22 You can answer.

23 A. My understanding is they get
24 deposited into your account every Monday. So
25 that would go into your balance, and then you

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2 would have a higher balance to earn off of.

3 Q. Okay. Is it fair, then, to say
4 that you're earning rewards on the rewards
5 that you're building?

6 MR. McCARRICK: Objection to
7 form. Outside the scope.

8 You can answer.

9 A. My understanding is that the
10 rewards on every Monday go into the overall
11 balance, and you earn on that higher balance
12 the next week. So you would be able to
13 compound or earn on your rewards or withdraw
14 it before the pause.

15 Q. And would title of the rewards --
16 could you address the title of those rewards.

17 A. Well, nothing's really happened.
18 Celsius is deploying assets, enjoying the
19 returns, and setting a reward rate that
20 increases your obligation.

21 There's nothing happening in the
22 marketplace for those rewards necessarily.
23 Yes, we're going to go out and we're going to
24 buy some sell tokens so we can pay them out in
25 rewards. If we have Bitcoin, that's on the

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2 balance sheet, we can pay -- give that out,
3 maybe we have to buy Bitcoin.

4 But a lot of the times we actually
5 didn't have to go into the marketplace to buy
6 what we were paying in rewards. It was just a
7 book entry into your obligation, the
8 liability, the back-office system.

9 Q. Okay. So if I have .78 Bitcoin in
10 my account and I earn some fractional reward,
11 you're saying that the title of the Bitcoin is
12 Celsius'. So I'm wondering what's the title
13 of the reward?

14 A. It's the oblig- --

15 MR. McCARRICK: Ob- --

16 THE WITNESS: I'm sorry.

17 MR. McCARRICK: No, you're
18 fine. You're fine.

19 A. No.

20 MR. McCARRICK: Objection to
21 the form.

22 You can answer.

23 A. It's the obligation that's
24 increasing, the IOU to the customer.

25 Q. Okay.

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2 A. That's accruing weekly. Every
3 Monday the obligation to the customer
4 increases.

5 Q. Okay. So it's an IOU.

6 A. Yeah. It's a loan from the
7 customer to Celsius transferring title for the
8 right to pledge or rehypothecate, sell,
9 otherwise invest.

10 MR. CREWS: Okay. I just want
11 to share my screen again. I have a
12 copy of this in paper.

13 MR. McCARRICK: Mark it as
14 Exhibit 3?

15 MR. CREWS: Sorry if it's a
16 bit small. This is a copy of the
17 1099-MISC form that I received for
18 the prior tax year.

19 Q. Could you explain why customers
20 were issued these tax forms?

21 MR. McCARRICK: Objection to
22 form. Well outside the scope.

23 But you can answer.

24 A. Sorry. You know, this is tax
25 code. So my understanding is that you were

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2 getting rewards which is counted as income.

3 Whether or not you actually pull, you know,

4 withdraw the coins or the rewards, the IRS

5 still recognizes that as income because your

6 obligation has increased.

7 In normal course you can withdraw,

8 get title back, and take your coins and put

9 them elsewhere. Right? In a world in which

10 you don't, the IRS is not interested in

11 whether or not you actually took it off or

12 kept it on. You're accruing reward income

13 here. Right?

14 So just like the liability, the

15 obligation in the back office, that's

16 increasing, and we're reporting that increase

17 as a taxable event for you.

18 Q. So --

19 A. That's my understanding, at least.

20 Q. Yeah. So you're saying because

21 the material amount of your account has

22 increased, the customers would then owe a tax

23 obligation based on that increase?

24 MR. McCARRICK: Object to

25 form. Outside the scope.

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2 Answer.

3 A. You're earning a reward. Whether
4 or not you take that reward off the platform
5 and turn it into fiat, the tax code, in my
6 understanding, doesn't care. They're saying
7 you earned a consideration of the rewards for
8 placing your coins on Celsius and transferring
9 title. You get a reward. That's a taxable
10 event. That's my understanding of the
11 situation.

12 Q. Okay. So rewards increase the
13 balance of your account, which you just said
14 was essentially an IOU?

15 A. It's an obligation. It's a loan
16 from the customer to Celsius, yeah, according
17 to the terms of use.

18 Q. Do customers have a tax obligation
19 if the value of their account increases with
20 the crypto markets?

21 MR. McCARRICK: Objection to
22 form. Outside the scope.

23 You can answer if you know
24 about customers' tax obligations.

25 A. I'm not a tax lawyer. I did pass

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2 the CPA exam 25 years ago. It's been a long
3 time.

4 My understanding is that price
5 appreciation or depreciation doesn't change
6 your tax. It's not until you actually have a
7 taxable kind of event where you sell your
8 crypto or something like that.

9 Just earning a rewards against
10 your obligation is also you earning something
11 in the IRS's mind. So if your price of your
12 coin is going up and down, your rewards will
13 go up and down.

14 But I believe, I'm not giving tax
15 advice, but I believe the only taxable event
16 if you do not trade, sell, swap, whatever,
17 crypto would be the rewards that you're
18 accruing to the obligation.

19 Q. So if I bought my Bitcoin at a
20 lower price prior to my depositing it with
21 Celsius, would I have a tax obligation upon
22 deposit?

23 MR. McCARRICK: Objection to
24 form. Very far outside the scope.

25 You can answer to the extent

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2 that you know about tax obligations.

3 A. I don't know. I think your basis
4 just goes up and down until you take it out.

5 But I'm not a tax expert. So --

6 Q. Yeah.

7 A. -- I'm not sure the answer to
8 that.

9 Q. The reason I ask is because if
10 title is transferred, presumably this would be
11 a tax disposal event.

12 Would you know anybody if you're
13 not able answer who --

14 A. I don't.

15 Q. -- at Celsius could advise?

16 A. I -- I don't know what the
17 question is. I'm sorry.

18 Q. The question is if we're saying
19 that title transfers from the customer to
20 Celsius upon deposit, would that be a tax
21 disposable --

22 A. I'm not a tax accountant. I can't
23 give you advice on tax. I don't know the
24 answer to that. What I do know is the terms
25 of use and what it says. I'm not giving tax

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2 advice. I'm not qualified to do that.

3 Q. Is there somebody at Celsius who
4 would be able to answer the tax obligation
5 questions?

6 MR. McCARRICK: Objection to
7 the form. Still outside the scope.

8 But you can answer if you know
9 anyone.

10 A. You would probably have to -- we
11 would probably have to have the conversation
12 with somebody in the tax department or the
13 legal department.

14 Q. Okay. Do you see how it could be
15 confusing for a customer to be paying taxes on
16 assets that Celsius holds title to?

17 MR. McCARRICK: Objection to
18 form.

19 You can answer.

20 A. What I know is we control the
21 terms of use. We do not control tax law. We
22 are not giving tax advice in the terms of use.

23 This is a contract between Celsius
24 and the customer that, in my opinion -- and
25 I've studied 6 and 8 -- is very clear. I

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2 can't speak to the tax side of it, sir. I'm
3 sorry, I can't.

4 Q. And do you think, just to bring up
5 my situation where I paid taxes on my rewards
6 and yet I'm missing, say, like \$100,000 worth
7 of crypto, does that feel like a fair
8 situation?

9 MR. McCARRICK: Objection to
10 form. Outside the scope.

11 You can answer to the extent
12 that you can.

13 A. I mean, my -- again, I'm not a tax
14 advisor. I'm not giving tax advice. If for
15 some reason the estate were to give you
16 everything back -- right? -- there would
17 probably be no taxing event. You'd get
18 everything back. You're made whole. If you
19 get back less, you might get a refund for the
20 rewards you accrued. But, again, I'm not
21 giving tax advice.

22 But let's say that we were only be
23 able to pay you back 50 cents on the dollar,
24 hypothetical, I think that that would be a tax
25 impact, and you would get some of your reward

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2 accrual back.

3 I'm not being an expert on tax
4 code. I'm just giving you my, kind of, mental
5 model of how I understand it works. So I
6 think it's timing. That's my understanding.

7 Q. Okay. And are you familiar with
8 the fact that there have been insiders who
9 have withdrawn assets from the platform in the
10 last year?

11 MR. McCARRICK: Objection to
12 form. This has nothing to do with
13 the motion.

14 You can answer.

15 A. I've seen the statements and
16 schedules, I signed off on them. I spoke at
17 the 341 meetings where I took questions on
18 this, so I'm aware of the distributions. And
19 I'm also aware that two of the founders, Alex
20 Mashinsky and Daniel Leon, are no longer with
21 this company.

22 Q. And they both withdrew millions of
23 dollars worth of assets from the platform?

24 MR. McCARRICK: Object to
25 form. Well outside the scope.

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2 You can answer.

3 A. It was in the statements and
4 schedules, yes, sir. Yeah, it was
5 disappointing to see one way or another --
6 right? -- It's ...

7 Q. And are you familiar with Celsius
8 having relationships with crypto influencers,
9 partnerships?

10 MR. McCARRICK: Object to
11 form. Outside the scope.

12 You can answer.

13 A. Not directly, not even loosely,
14 but from -- and, like, my Twitter account is
15 not very old. I've never posted on Twitter.
16 I don't have Facebook or any of that type of
17 stuff. So I'm not an active what you would
18 call a social media guy. So I don't like the
19 influencer thing. I've never really followed
20 it.

21 But my understanding is that there
22 was influencers that were, kind of, explaining
23 how Celsius worked, but that's the
24 knowledge -- that's the extent of the
25 knowledge that I have.

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2 Q. Yeah, my understanding is from the
3 court filings that there was some compensation
4 that certain Celsius partners were provided.

5 Would that be a reasonable guess?

6 MR. McCARRICK: Object to
7 form. Don't know the basis for
8 that.

9 You can answer to the extent
10 you know.

11 A. I basically know what you just
12 said -- right? -- there was influencers, they
13 probably got some, sort of, consideration for
14 their efforts. I'm not sure -- I don't know
15 how they were paid, I don't who was paid, I
16 don't know how much it was.

17 But I understand that there was
18 influencers that got consideration for
19 marketing Celsius.

20 Q. Okay. I wanted to bring up a few
21 of the most well-known influencers who
22 withdrew assets from the platform.

23 Are you familiar with one called
24 Lark Davis?

25 MR. McCARRICK: Just before we

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2 get there, what court filings is
3 this from, just for the record?

4 MR. CREWS: This is from the
5 947-1. So page 2,930. It's a
6 combination of the balances report,
7 the 947 plus the SOFA 940 -- 973.

8 MR. McCARRICK: Okay. So this
9 is information from --

10 MR. CREWS: Combined, yeah.

11 MR. McCARRICK: -- separate?

12 Okay. Understood. I'm just going
13 to have a standing objection to
14 this, but -- I think it's outside
15 the scope but continue to ask
16 questions.

17 BY MR. CREWS:

18 Q. So Lark Davis, aka CryptoLark, I
19 believe had a partnership with Celsius. He
20 drew down his balance to virtually nothing and
21 withdrew 2.45 million over the course of May.

22 Were you aware of that?

23 MR. McCARRICK: Objection to
24 the form. Outside the scope.

25 You can answer.

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2 A. I don't -- I don't know the
3 individual. I don't know the specifics of
4 those withdrawals.

5 Q. Okay. There's another individual
6 known as Ben Armstrong, goes by the handle
7 Bitboy. This is on page 1,555 of
8 Document 947.

9 There are three different Ben
10 Armstrongs listed, two Ben Armstrongs and one
11 Benjamin Armstrong, both of which have
12 depleted accounts. However, his -- Ben
13 Armstrongs, these two Ben Armstrongs are
14 missing from the 973 SOFA filing.

15 Would you be able to explain why
16 an entry might be missing from the SOFA
17 document?

18 MR. McCARRICK: Objection to
19 form. Outside the scope. Not sure
20 it is an accurate rendering.

21 But you can answer to the
22 extent that you're able.

23 A. We spent an immense amount of time
24 preparing the schedules, internally and with
25 the advisors; I reviewed them. Obviously I

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2 don't review it, every line on them, it
3 wouldn't be possible. And it wouldn't be a
4 good use of my time while I'm trying to work
5 on the dual-track process.

6 So I think that -- I can't speak
7 to an individual transaction or whatnot. But
8 I can tell you that we spent a tremendous
9 amount of effort on the schedules. This was a
10 massive lift. You're talking about a company
11 that, you know, venture to guess that none of
12 the employees have been through a Chapter 11
13 process and everything changes -- right? --
14 after that.

15 And you have to do these types of
16 reports, and these -- you got to really
17 mobilize the organization in order to do it.
18 And I think we did it. We can follow up on
19 any specifics, but I can't speak to it.

20 Q. In terms of following up, what's
21 the best mechanism for doing that?

22 MR. McCARRICK: Objection to
23 form. Outside the scope.

24 A. We would have to analyze the
25 schedules and see what's happening. I mean,

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2 there's so many transactions embedded in the
3 schedules. I think it was something like
4 10,000-plus pages. So we just have to go
5 through it. But there was quality checks and
6 reviews. Anything's possible but there was a
7 lot of effort in checks that went into this.

8 Q. And in terms of this specific case
9 where an entry I'm asserting is missing, is
10 there a mechanism by which I can raise that
11 with you?

12 MR. McCARRICK: Object to
13 form. This has absolutely nothing
14 to do with the current motion.

15 You can answer it to the
16 extent that you're able.

17 A. I'd have to follow up internally
18 with the specifics. Maybe you can provide it
19 to T.J. and Kirkland, and then we can follow
20 up. I'm not sure of the channels and how I
21 can get back to you, if that's even allowed.

22 I know this is -- I don't believe
23 this is your account. So this would be -- I
24 don't know if I can go in transaction history
25 and give you information about it. But we can

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2 verify it and follow up and get back to you.

3 MR. McCARRICK: Can I just
4 take a pause. It's my understanding
5 that someone on the Zoom is tweeting
6 live. Perhaps they weren't here at
7 the beginning. Anyone who's on the
8 Zoom has signed the protective
9 order. The entire transcript has
10 been designated confidential, which
11 means that you can't live tweet it,
12 you can't disclose it outside of
13 those who have a right or bound by
14 the protective order. So I'm going
15 to ask that individual to
16 discontinue that.

17 And as I said on the back end,
18 we're happy to work with the
19 designations as to confidentiality,
20 but the reason I designated the
21 entire transcript confidential was
22 exactly for this reason. So I would
23 just ask that person to stop
24 tweeting. And if it continues, we
25 will end the deposition.

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2 You can continue.

3 BY MR. CREWS:

4 Q. So I think we just left off with
5 the mechanism being to speak to T.J. about
6 deficiencies, if there were anything missing.

7 I'm going to switch to -- I have
8 here a spreadsheet that I believe was
9 extracted from the SOFA report or I think it
10 was the 947 document. This is a listing of
11 merchandise purchases that Celsius made with
12 USA Strong.

13 Are you familiar with the company
14 USA Strong?

15 MR. McCARRICK: Objection to
16 form. Outside the scope. I don't
17 know that we're able to review the
18 full document.

19 But you can answer to the
20 extent that you're able based on the
21 information that's displayed.

22 A. I can't see the information on the
23 screen, but if you're asking me do I know what
24 USA Strong is, I believe it's a related party
25 to Alex Mashinsky, but his wife, Krissy

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2 Mashinsky, I believe owns and runs USA Strong.

3 Q. Yes. And last year -- or I guess
4 over the last year, not calendar year, but in
5 the filing they've made \$118,000 worth of
6 purchases with USA Strong -- Celsius has made
7 those purchases with USA Strong.

8 MR. McCARRICK: Object to
9 form. Outside the scope of the
10 limited stablecoin motion.

11 You can answer to the extent
12 that you're able to understand or
13 able to verify the information
14 that's up there.

15 A. Was there a question? I'm sorry.

16 Q. I'm wondering if you could maybe
17 just put into context this relationship with
18 USA Strong.

19 A. Okay.

20 MR. McCARRICK: Same
21 objections.

22 Go ahead and answer.

23 A. So I'm not going to focus on the
24 numbers, I'm going to just explain -- answer
25 your question, my understanding of the

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2 relationship.

3 So like I said, I believe it's
4 Alex Mashinsky's wife, Krissy Mashinsky. USA
5 Strong, I believe these were for the purchases
6 of merchandise largely for promotional
7 giveaways. I think Bitcoin conferenced they
8 need to make 1,000 Celsius T-shirts. This is,
9 I believe, the merchandise that that would be
10 related to. T-shirts, backpacks, you know,
11 things that you give away for promotional
12 events.

13 Q. Okay. And does this seem like a
14 reasonable purchase figure for the types of
15 events that you're talking about?

16 MR. McCARRICK: Object to
17 form. Outside the scope.

18 You can answer.

19 A. I haven't studied and looked at
20 the price per item and shopped it to other
21 items -- right? -- because this has all
22 happened in the past, and I'm focused on the
23 estate.

24 My understanding is, you know,
25 there was a lot of Celsius T-shirts, there was

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2 a lot of Celsius backpacks, and that this
3 would have been done in the ordinary course,
4 to my understanding.

5 Q. And is it correct that Celsius'
6 headquarters is in Hoboken, New Jersey, at 221
7 River Street?

8 A. Yes.

9 Q. And are you aware or would you
10 know somebody who is aware --

11 A. It was, sorry. It was the
12 headquarters. We rejected the lease and we're
13 no longer in that office space, yeah.

14 Q. Would you know or be able to
15 confirm if USA Strong previously held a lease
16 in that building?

17 MR. McCARRICK: Objection to
18 form. Outside the scope.

19 A. I do not know. I've never heard
20 anything about that, so this would be the
21 first time I heard it. I -- I visited the
22 office building on my first day of work on the
23 22nd, and I think I left the Wednesday. So I
24 was at that building Monday, Tuesday,
25 Wednesday, and that was the last time I saw

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2 it.

3 MR. CREWS: Okay. I think
4 that is the balance of the questions
5 that I have. So I'll yield to the
6 other per ses.

7 THE WITNESS: Thank you.

8 MR. McCARRICK: Okay. I think
9 we're now to the virtual pro ses.
10 I'm not sure if you all internally
11 worked out an order about who would
12 be next. But next questioner up to
13 that, if you could announce yourself
14 and say and spell your name for the
15 court reporter's benefit.

16 And thank you, Mr. Crews.

17 MR. CREWS: Thanks.

18 MR. KHANUJA: This is Kulpreet
19 Khanuja. I'm a pro se own creditor
20 K-u-l-p-r-e-e-t K-h-a-n-u-j-a.

21 EXAMINATION BY

22 MR. KHANUJA:

23 Q. Mr. Ferraro, before I begin
24 specific questions, can I ask one generic one.
25 So when you became the current CEO, would you

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2 say in terms of doing your job, you would be
3 required to gather knowledge and background on
4 Celsius' business operations and decisions
5 taken before your time by Celsius business
6 executives?

7 A. As it pertains to decisions I have
8 to make about the future, absolutely.

9 Q. So I'm asking this because many
10 questions you mentioned, this was before your
11 time or you weren't aware what happened.

12 So my particular question is: Was
13 there any formal knowledge transfer session,
14 and also if there was any obstruction or
15 pushback from Celsius to provide you
16 historical -- required historical knowledge to
17 answer questions?

18 A. I -- I go to work every day
19 fighting to make -- create value, preserve
20 value for the estate. If there was historical
21 things that impact my go-forward decisions, I
22 studied them, I asked about them.

23 If it's historical stuff for
24 historical purposes that don't change the
25 future, I don't think it would be a good use

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2 of my time to maximize value for the estate
3 going back, looking at every decision, every
4 thing.

5 I'm trying to understand where the
6 business is today, maximize value under a
7 dual-track process. I'm doing my best to
8 answer every question I possibly can. I've
9 been with this company since March 21.

10 Q. Yeah. That's fair. One thing I
11 would recommend is to go through the terms of
12 service, prior versions, not just 6 and 8 as
13 well, because there were things in there, no
14 mention of rights of ownership and those kinds
15 of things, and people actually signed up
16 before Version 6 as well.

17 So that would probably give you
18 more idea about the other questions we're
19 going to pose as well.

20 MR. McCARRICK: Object --
21 object --

22 Q. No --

23 MR. McCARRICK: Hold on.
24 Object to form. That wasn't a
25 question, that was a statement.

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2 So just wait for the next
3 question, and then you can answer.

4 MR. KHANUJA: Okay.

5 Q. Mr. Ferraro, you mentioned to
6 Mr. Hershey that, per your knowledge,
7 customers deposited their assets and
8 transferred ownership of assets to Celsius in
9 exchange for rewards. Say, if a customer
10 deposited, say, 100 Bitcoins and was paid 5
11 percent in rewards, would the customer expect
12 105 Bitcoins back or just 5 Bitcoins back?

13 MR. McCARRICK: Object to
14 form.

15 You can answer.

16 A. The obligation would be the
17 Bitcoin you deposited, plus your rewards.

18 Q. 105. So you would say the
19 customers would not be happy exchanging their
20 100 Bitcoins for 5 Bitcoins in return?

21 A. I don't know why --

22 Q. They'd get 105.

23 A. Yeah, I think that's how the back
24 office system works. That's -- we would
25 accrue rewards to your obligation, and your

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2 obligation in this example would be 105 and
3 the claim would be 105.

4 Q. Yes. Okay. So are there Celsius
5 insiders or employees who transferred their
6 assets from earn to custody after custody
7 f- --

8 MR. McCARRICK: Objection to
9 form.

10 Q. -- say, from April 2022 --
11 April 2022 until, say, when the deposits were
12 warranted?

13 MR. McCARRICK: Objection to
14 form. Outside the scope.

15 You can answer.

16 A. I have seen the statements and
17 schedules, as you probably have, yes.

18 Q. Yes. So they're -- so now they're
19 able to get 105 percent back while other
20 owning customers are not able to?

21 A. I don't --

22 MR. McCARRICK: Objection to
23 form.

24 You can answer.

25 A. I'm not sure that's accurate. I

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2 believe people in custody right now were
3 trying -- you know, this is still an
4 outstanding legal question, and the employees
5 and transfers has not been decided. And it's
6 outside of my lane, sir. It's outside of my
7 lane.

8 Q. But -- okay. Thank you. But
9 that's a relevant question with regards to
10 custody and earn and who gets what?

11 MR. McCARRICK: Objection to
12 form.

13 You can respond.

14 Q. Okay.

15 A. I mean, I think it's a relevant
16 question that the judge will rule on.

17 Q. Sure. Yeah. Now, in your
18 document or the statement you filed, I'm
19 looking at paragraph 21. And I can quote. It
20 says:

21 "The functioning of these
22 deployment activities depended upon
23 the debtors having unilateral
24 authority to effectuate these
25 methods and strategies in their

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2 discretion. To accomplish this, the
3 terms of use included a variety of
4 provisions regarding the formal
5 transfer of ownership rights for
6 coins transferred into the earn
7 program."

8 Now, can you explain what
9 constitutes a formal transfer of ownership?
10 No title transfer document, no sale agreement,
11 no price of sale, no tax liability, just
12 transferring assets into Celsius to earn
13 rewards, will that constitute a formal
14 transfer of ownership?

15 MR. McCARRICK: Object to --
16 object to form.

17 You can answer.

18 A. My understanding is in the terms
19 of use, there's a contract between the
20 customer and Celsius. And the customer
21 clicked the box to accept and clicked
22 "accept."

23 That was the contract that
24 transferred title from the customer to
25 Celsius. That was the action and the

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2 consideration that was done at that point in
3 time in time.

4 Q. Can you point to me the specific
5 language in the terms of service that states
6 "formal transfer of ownership"?

7 MR. McCARRICK: Object to
8 form. The terms of service aren't
9 in front of me.

10 But you can answer to the
11 extent that you know generally.

12 A. I will tell you, sir, Oren
13 Blonstein tomorrow will be here to talk about
14 the terms and use. I believe he is
15 knowledgeable in this space.

16 Q. Okay.

17 A. I have not been part of
18 discussions of terms of use with Oren in
19 detail so I don't -- I just don't know the
20 answer to what terms of use said in that. But
21 to me in looking at the screenshots and in
22 reading the terms and use, to me it's clear,
23 it's crystal clear.

24 Q. So to you it's crystal clear that
25 the customers transferred the ownership of the

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2 assets to Celsius. Now, what about the
3 customers who transferred assets to Celsius
4 before this particular clause and section of
5 paragraph was included in terms of service,
6 the prior version's terms -- before terms 5 or
7 6? They didn't sign up for that, so they
8 didn't transfer the ownership?

9 MR. McCARRICK: Objection to
10 form. Mischaracterizes.

11 You can answer.

12 A. I'm just going to read back what
13 you read to me, sir:

14 "It is my understanding that
15 every version of the terms and use
16 includes one or more provisions
17 authorizing the debtors to make
18 unilateral updates to the terms and
19 use."

20 I stand by that statement.

21 Q. Okay. Now, in the very first
22 terms of service for Celsius, there is the
23 Section 14 or paragraph 14, it's called
24 "Consent to Celsius' Use of Your Digital
25 Assets." Now -- emphasis on "Your Digital

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2 Assets."

3 Also the terms of use Version 1,
4 paragraph 31, expressly it's stated that
5 notice of changes to the terms of service
6 would be provided with the specific additions,
7 deletions, or subtractions to the terms of
8 use.

9 Would you say additional losses
10 around transfer of ownership to Celsius from
11 customers in the July 2021 version is a
12 material change --

13 MR. McCARRICK: Object --

14 Q. -- if that clause was not there
15 earlier?

16 MR. McCARRICK: Object --
17 objection to form. Incomplete
18 hypothetical.

19 You can answer.

20 Q. Can you still answer?

21 MR. McCARRICK: Yeah, I'm
22 going to let him answer.

23 A. Sorry, I just have to --

24 Q. Do you -- do you think that was a
25 material change that was inserted in the new

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2 versions?

3 A. Sir, I do not have the terms and
4 use in front of me. I have two different
5 documents in front of me, neither which is the
6 terms of use. I don't off the top of my mind
7 know those details. I apologize.

8 Q. But in your statements --

9 A. In this --

10 Q. In your statements, you do mention
11 that, to your knowledge, and it's crystal
12 clear, all the terms of version -- all the
13 terms of use --

14 A. Yes --

15 Q. -- state that these --

16 A. It is.

17 Q. -- account transfer of ownership,
18 but you also claim you have not read the
19 initial versions?

20 MR. McCARRICK: Objection to
21 form. Mischaracterizes the
22 testimony.

23 You can -- you can answer as
24 to whether or not you've read all
25 the different versions.

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2 A. That's not what I said. I said
3 I've read the versions. I don't memorize
4 them. I didn't draft them. I'm not an expert
5 in it. I've done my best to prep for this
6 session so that I could take questions from
7 creditors and try to give you guys as much
8 information as I possibly can. But, sir, I
9 have not memorized the terms of use.

10 Q. But --

11 A. They're not -- they're not in --
12 let me just finish, I'm sorry -- they're not
13 in front of me. What I've read is 6 and 8 is
14 very clear to me. And what I've also read is
15 the unilateral updates to the terms of use is
16 also very clear to me.

17 I've also seen in the filings
18 screenshots of what the customer would have
19 checked boxes twice, and I've seen the
20 e-mails, pop-ups, et cetera.

21 We even had a period that I read
22 of two weeks where they would, kind of, lose
23 access to swap trade deploy, and they would
24 have to talk to a customer care person. To
25 me, I read that as a pretty strong process to

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2 make sure that the customers knew that they
3 were double-checking things.

4 MR. McCARRICK: We've been
5 going for -- we've been going for
6 about an hour, maybe an hour and two
7 minutes. I've got it here. Can we
8 take a ten-minute break, and then I
9 think the balance of the hour that's
10 remaining for the pro se creditors,
11 if -- I know you all are, kind of,
12 forming your own queue, but --

13 MR. KHANUJA: Well, I have
14 just a few small portions if we
15 can stop after that.

16 MR. McCARRICK: Sure. Yeah,
17 if you want to finish your few
18 questions, then we can take a break
19 and the queue can form. Sure, thank
20 you.

21 MR. KHANUJA: And I'll try to
22 be quick now, you know, so that I'm
23 fair to other questioners, other
24 people as well.

25 BY MR. KHANUJA:

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2 Q. Now, Celsius' terms of use clearly
3 state that customers can withdraw their
4 digital assets at any time. Now, this is from
5 all versions, including the versions you
6 reference, terms of use Versions 6 and 8. It
7 says you can withdraw your digital assets at
8 any time.

9 Now, if these were Celsius' assets
10 and not our assets, why would you allow your
11 customers to withdraw them?

12 A. We have --

13 MR. McCARRICK: Object to
14 form.

15 You can answer.

16 THE WITNESS: Sorry.

17 A. We have an IOU to the customer.
18 The customer has loaned us the digital assets.
19 So upon withdrawal in normal, ordinary course,
20 the user can request the obligation to be
21 returned to them.

22 Q. Yes. Right. So these were our
23 assets. Now, you mentioned -- you use the
24 term "loan." Can you define a loan?

25 You come from a rates background

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2 in JPMC. You cite a rates department. You
3 were probably an FP&A for them. Correct?

4 A. No, sir, I was not. I was not
5 FP&A for rates. I was --

6 Q. Okay. Well, so in general, rates
7 and loans, they're a fairly similar kind of
8 product. Would you be able to define a loan
9 for me?

10 MR. McCARRICK: Object to
11 form.

12 You can answer the definition
13 of loan.

14 A. I think rates is also derivatives
15 of -- and futures and spot markets --

16 Q. And --

17 A. -- for interest rates --
18 whereas --

19 CERTIFIED STENOGRAPHER:

20 Sorry. One at a time. One at a
21 time.

22 A. -- whereas loans is a credit. One
23 person is -- has net value to provide to the
24 other that wants to borrow that.

25 So in reality, a loan is different

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2 from a rate. Lending demand does have
3 influence on overall rate at a macro level,
4 but I wouldn't say the two are one-for-one the
5 same.

6 Q. No, not one-to-one the same. But
7 rates do impact the loans, as you said. And
8 you have decent understanding of that.

9 In loans have you ever seen
10 transfer of ownership?

11 MR. McCARRICK: Objection to
12 form.

13 You can answer.

14 A. I -- I've seen the loan between
15 Celsius and its customers in reading the terms
16 of use.

17 Q. No, I'm talking others. I'm
18 talking about in general. Have you ever seen
19 a definition of loan saying transfer of
20 ownership?

21 MR. McCARRICK: Objection to
22 form.

23 You can answer.

24 A. Off the top of my memory, I was
25 in -- you've got to remember that I was in

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2 consumer lending. So when somebody -- when
3 somebody borrows against their house, the bank
4 will put a lien on their house.

5 When somebody borrows against --
6 for a car, the bank will put a lien on a car.
7 That's my understanding of --

8 Q. Is a lien the same as transfer of
9 ownership?

10 A. That's --

11 MR. McCARRICK: Objection to
12 form.

13 You can answer.

14 A. It's a different instrument. It's
15 a different terms of use.

16 Q. Yeah. I'm from the same
17 background as you, so I don't think lien is
18 the same as transfer of ownership. But we can
19 move on.

20 It also says, you know, that --
21 and I'm going to quote from the terms of use
22 Version 5. It says:

23 "You may make a complete or
24 partial withdrawal of eligible
25 digital assets from your Celsius

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2 wallet at any time," and that

3 "Celsius initiates the withdrawal

4 process immediately."

5 And then the latest version, which
6 was from, I think, April 14, 2022, subject to
7 these terms, per any of your eligible digital
8 assets that you elect to utilize in the earn
9 service, you have a call option on all loans
10 made to Celsius to demand immediate, complete,
11 or partial repayment of any loan.

12 You can, through a complete or
13 partial withdrawal of eligible digital assets
14 from your Celsius account balance at any time.

15 So for us it was always available
16 to, you know, based on this language, would
17 you say we would always have access to our
18 assets from Celsius?

19 MR. McCARRICK: Objection to
20 form. Incomplete. The document is
21 not in front of him.

22 But answer to the best of your
23 ability.

24 A. And my understanding in reading
25 through the terms of use is that in normal

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2 course, the customers can withdraw. I think
3 there was areas in the terms of use that
4 allowed us to pause; market events, Celsius
5 events, et cetera.

6 So I think in normal terms, yes,
7 the customer should be able to demand
8 withdrawal and get their cryptocurrencies.

9 Q. So again, my argument goes back
10 again that to you it's crystal clear that
11 these were Celsius assets, yet customers would
12 be able to withdraw all their assets at all
13 times?

14 A. In normal course, yes, sir.

15 Q. So these were our assets as well
16 as Celsius' assets?

17 MR. McCARRICK: Objection.

18 Mischaracterizes.

19 You can answer.

20 A. Celsius' assets with an obligation
21 to the customer, sir.

22 Q. Okay. Now, Mr. Ferraro, you
23 mentioned in a response to Mr. Hershey, and I
24 quote, your sole objective is to maximize the
25 value to the estate and the creditors.

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2 You also mentioned in another
3 response, and I quote:

4 "We are aligned with
5 creditors, and the creditors want
6 their coins back."

7 So you want to maximize the value
8 to the creditors, and creditors want their
9 coins back, yet you are also arguing in your
10 prior statements that these are not creditor
11 assets. Celsius controls ownership of the
12 assets.

13 What is the guarantee that if you
14 go ahead with the Celsius reorg, you end up
15 declaring all of these coins as Celsius assets
16 and then return nothing to depositors -- to
17 creditors?

18 MR. McCARRICK: Objection to
19 form.

20 You can respond to that, I
21 suppose.

22 A. My understanding of the Chapter 11
23 process is that there's maximizing value for
24 the estate in the claims process. And through
25 the claims process, the value will be

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2 distributed back to the creditors.

3 Q. But technically, you can claim
4 these as your assets, the way you -- the way
5 Celsius is doing it right now. So the claims
6 will become invalid then, won't they?

7 MR. McCARRICK: Objection to
8 form.

9 You can answer.

10 A. I'm a little bit confused about
11 where you're going. My understanding --

12 Q. We are -- we are confused as well
13 and exactly why our question, whether these
14 are our assets or your assets.

15 A. Well, we -- sir, I'm sorry. We
16 went through that. I think your question was
17 about the bankruptcy process in maximizing
18 value for the estate and the claims process.
19 What I was --

20 Q. My question is: Beyond maximizing
21 value, you can still claim these as your
22 assets and then give nothing back to
23 creditors?

24 MR. McCARRICK: Objection to
25 form. Mischaracterizes.

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2 Mr. Ferraro, you can respond.

3 And I'd appreciate if you
4 would allow him to finish his
5 response.

6 THE WITNESS: Thank you, sir.

7 A. My understanding is that's not the
8 way the bankruptcy code works and that's not
9 the way that the judge or any trustees will
10 protect and distribute value in the estate.

11 Q. Okay. Now, Mr. Ferraro, in
12 response to United States Trustee today, you
13 mentioned you joined sometime in March 2022, I
14 think it was --

15 A. Yes, March 21, 2022.

16 Q. Was it as the CFO?

17 A. No. It was the head of financial
18 planning and analysis and investor relations.
19 I became the CFO in the middle of July. I
20 believe it was July 13.

21 Q. Okay. So until you became a CFO,
22 you were not responsible for asset liability
23 management or treasury or even payroll and
24 taxes. Is that fair?

25 A. I was not the treasurer. I was

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2 not the controller. I worked with those
3 areas, but I was not responsible for them.

4 Q. Okay. I'll -- I'll ask just one
5 question from this track. In any
6 organization, for example, your previous
7 employer, JPMC, any policy or policy
8 documents, including, you know, smaller policy
9 documents, even the terms of service, they
10 have to be typically reviewed, approved, and
11 signed off with certain sequelas, like legal,
12 finance, FP&A, CFO office, CEO office, head of
13 departments, you know, pertaining to that
14 policy. Correct me if I'm wrong.

15 Now, to your knowledge, who were
16 the people signing off on these terms of
17 service at Celsius? And if you do not have
18 that information, can you provide that
19 evidence to us?

20 MR. McCARRICK: You can
21 answer.

22 A. My understanding is that the legal
23 team and the regulatory team worked with the
24 product team to update terms of use. I was
25 not part of the approval process. I was not

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2 part of drafting it. So my knowledge, kind
3 of, ends there. I apologize, sir. That's,
4 kind of, what I --

5 Q. No, I appreciate you answering
6 that. But would you know if the prior CFO was
7 signing off on these documents?

8 MR. McCARRICK: Objection to
9 form.

10 You can answer.

11 A. I do not know.

12 Q. Sir, if the -- I'm asking this
13 because the assets being moved from one
14 account to another as it's being able to
15 withdraw, no commission being paid on custody,
16 and all of these things were happening.

17 So obviously there was a -- and
18 asset liability component, which would impact
19 the financial forecasting analysis and
20 whatever, whatnot.

21 So these will come under the
22 purview of at least the review of the CFO or
23 CFO office, and somebody from the CFO office
24 would have signed off on -- signed off on
25 this.

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2 You're saying you weren't there as
3 a CFO then, you haven't signed it and
4 reviewed -- or reviewed, approved, or signed
5 off on any of these terms of uses?

6 MR. McCARRICK: Object to
7 form.

8 You can answer.

9 A. That's what I'm saying.
10 Absolutely. I was not part of this. I did
11 not sign off on it. I do not know what the
12 sign-off process was.

13 Q. Okay. And the same for the taxes
14 as well. Now, as Mr. Crews said as well, I
15 and he are in the same boat. I paid taxes on
16 my assets for three years based on the
17 Celsius-generated 1099 forms.

18 Now, would you know who was
19 signing off on these -- on these taxes or the
20 forms that were generated for the customers?

21 MR. McCARRICK: Object to
22 form. Outside the scope.

23 You can answer.

24 A. My understanding is it's tax
25 compliance reporting. So there's

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2 professionals in the space who understand how
3 to report to the IRS. Certain --

4 Q. But they didn't -- I'm sorry.
5 Please go ahead.

6 A. -- certain kind of activities.
7 And that's, I believe, the tax statements that
8 we went through earlier from Mr. Crews, yes.

9 Q. Now, Mr. Ferraro, you -- one last
10 question. You mentioned you spend majority of
11 your time -- actually, I think you answered
12 this one.

13 MR. KHANUJA: So I'll concede
14 to the next.

15 THE WITNESS: Thank you.

16 MR. KHANUJA: Thank you so
17 much.

18 MR. McCARRICK: All right.

19 Let's take a ten-minute break.

20 There's 47 minutes left on the
21 clock, for those keeping track at
22 home, for the remaining pro se
23 creditors, at which point the
24 deposition will end. So we'll take
25 a ten-minute break. Be back at

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2 3:07.

3 THE VIDEOGRAPHER: The time is
4 2:57 p.m. This concludes Media 5.
5 Off the record.

6 (Recess taken from 2:57 p.m.
7 to 3:15 p.m.)

8 THE VIDEOGRAPHER: The time
9 now is 3:25 p.m. This begins Media
10 6. On the record.

11 MR. McCARRICK: Okay. Just a
12 quick logistical item. Before we
13 return to the pro se creditor phase,
14 our friends from Milbank have one
15 question which won't be counted
16 against the pro se time, of course.

17 And just before we go any
18 further, could -- it looks like
19 there's someone on Zoom, RAR. Could
20 that person just, kind of, identify
21 themselves or their affiliation.

22 MS. ANDERSON RYNDERS:
23 Certainly. I'm Rachel Anderson
24 Rynders, and I'm with the Texas
25 State Securities Board.

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2 MR. McCARRICK: Great. Thanks
3 very much.

4 And with that, we'll turn it
5 over to ...

6 EXAMINATION BY

7 MS. WESTOVER YANEZ:

8 Q. Good afternoon, Mr. Ferraro. My
9 name is Melanie Westover Yanez. I'm an
10 attorney with Milbank and we represent the
11 Series B preferred holders.

12 Do you know what I mean by the
13 "Series B preferred holders"?

14 A. Yes.

15 Q. I just wanted to ask you something
16 to follow up on something you discussed with
17 Mr. Crews earlier. I don't think the record
18 is clear. So I just want to make sure it is.

19 Did you -- let me just ask a
20 background question first. Did you
21 participate in preparing the debtor's amended
22 motion for the stablecoin sale?

23 A. I read through it. I was not an
24 active drafter.

25 Q. Okay. But you didn't object to or

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2 find inaccurate anything that was presented in
3 the motion. Right?

4 A. Not that I'm aware of, no.

5 Q. Is it the debtors' position that
6 under any version of the terms of use, that
7 assets deposited into the earned accounts, the
8 right, title, and interest to those assets
9 were transferred to Celsius?

10 A. Yes.

11 Q. And that's true at the time when
12 the customer-facing business was operating out
13 of the UK from Celsius Network Limited. Is
14 that correct?

15 A. To my understanding, yes.

16 MS. WESTOVER YANEZ: Okay. No
17 further questions at this time.
18 Thank you.

19 MR. McCARRICK: Okay. Great.
20 And now we'll return to the pro se
21 portion. Could the next questioner
22 identify themselves and spell their
23 name.

24 MS. BARSTOW: Hi, I'm Nicole
25 Barstow. N-i-c-o-l-e B-a-r-s-t-o-w,

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2 pro se creditor.

3 MR. McCARRICK: Thanks,
4 Ms. Barstow. You're a little bit
5 fuzzy -- or at least it sounds a
6 little bit like you're under water.

7 If you could just speak very
8 slowly so the court reporter can get
9 it, I think that'd be good.

10 THE VIDEOGRAPHER: Please move
11 closer -- please move closer to your
12 microphone, please. This is the
13 videographer.

14 MS. BARSTOW: Okay. I'm
15 pretty close, so is that good?

16 CERTIFIED STENOGRAPHER:
17 That's good.

18 THE VIDEOGRAPHER: That's
19 better.

20 EXAMINATION BY:

21 MS. BARSTOW:

22 Q. Okay. Does the debtor claim to
23 have full and exclusive, meaning 100 percent
24 ownership and 100 percent title to the earn
25 account assets?

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2 MR. McCARRICK: Object to

3 form.

4 You can answer.

5 A. Yes.

6 Q. Okay. Does the debtor claim to
7 have full and exclusive 100 percent ownership
8 and 100 percent title to the borrow account
9 assets?

10 A. The loan collateral, yes. To my
11 understanding, yes.

12 Q. Does the debtor claim to have a
13 security interest in the borrow program?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. The loan collateral -- the
18 collateral that is backed up by the loan,
19 Celsius holds the title to. And in return for
20 that, they are giving the loan in either
21 stablecoins or dollars to the borrower.

22 Q. Right. But in the terms of use,
23 is there a claim that the debtor has a
24 security interest in the debtors' borrow -- in
25 the debtors' borrow program?

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2 MR. McCARRICK: Same

3 objections. Asked and answered.

4 A. I don't have the loan terms of use
5 in front of me, so it's hard for me to point
6 to any specific thing.

7 Q. Okay. And you said you reviewed
8 Version 6 of the terms of use. Is Version 6
9 the last terms of use that was agreed upon
10 with an actual electronic acceptance, an "I
11 agree" box to check and submit with the
12 amended terms of use?

13 A. I know there was the click route
14 on Version 6. I'm not sure, as Version 7 and
15 Version 8 came out, exactly, you know, what
16 the acceptance was. Obviously in the terms of
17 use, it says clearly unilateral right to
18 change the terms of use. So I think 6 was a
19 clickwrap, and I'm not quite sure about 7 and
20 8.

21 (Stenographer clarification.)

22 Q. You're not sure about 7 and 8, but
23 you're sure that the terms of use 6 was agreed
24 by everybody and there was a "submit," and
25 everybody submitted to continue user?

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2 A. That's my understanding. Yeah,
3 sorry. That's my understanding. And Oren
4 Blonstein will be here tomorrow to walk
5 through all of those details.

6 Q. Okay. Does the particular
7 mentioned, Version 6 terms of use, state your
8 Celsius account allows you to view your
9 balances in connection with the services
10 provided to you by Celsius and -- as the
11 services and conduct certain transactions
12 online?

13 MR. McCARRICK: Object to
14 form. The terms of use aren't in
15 front of him, but you can answer to
16 the best of your memory.

17 A. I don't know specifically. It's
18 not in front of me. I apologize.

19 Q. All these questions relate to
20 statements in the version of terms of use 6
21 that I have read, and all of these statements
22 are on there. But I will just skip through
23 those questions anyway.

24 Did everyone who entered into a
25 contract via Celsius' terms of use have the

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2 requisite financial standing to do so in
3 accordance with the SEC public policy of
4 accredited investor status?

5 MR. McCARRICK: Objection.

6 Outside the scope. Form.

7 You can answer if you can.

8 A. I'm not an expert on securities
9 laws and accreditation, so I don't know.

10 Q. So you're not familiar with what
11 an accredited investor means as an accountant?

12 A. I'm familiar with accredited
13 investor. But I'm not familiar with the -- I
14 don't have the knowledge --

15 Q. Are you familiar --

16 MR. McCARRICK: Hold on.

17 Let --

18 Q. Are you familiar if there are
19 unaccredited investors on Celsius?

20 MR. McCARRICK: Okay. Object
21 to form. Outside the scope.

22 Mr. Ferraro, answer.

23 And if you could just let him
24 finish his answer before the next
25 question, that would be great.

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2 Thank you.

3 A. I understand there are customers
4 that -- that have been accredited on the
5 platform, and I understand there's also
6 customers who were -- who have not been
7 accredited on the platform.

8 Q. Okay. So you're aware that there
9 are unaccredited investors on the platform?

10 MR. McCARRICK: Objection.

11 Outside the scope.

12 You can answer.

13 A. Yes.

14 Q. Okay. Did any party to the
15 debtors propose the estate ever make any
16 statement verbally or in writing that
17 misrepresented the facts or omitted certain
18 information?

19 MR. McCARRICK: Object to
20 form. Contract formation is not at
21 issue here. That was carved out.

22 But you can answer to the
23 extent you're able to.

24 A. As I stated earlier, Ms. Barstow,
25 I am not an active viewer of the AMAs or the

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2 blog posts. During the numerous ones, I was
3 probably out in the fields at my farms in
4 Ecuador.

5 More recently since I've come to
6 work for Celsius, I've had my head down
7 working on a day-to-day basis and I haven't
8 gone back to watch old AMAs or look at blog
9 posts.

10 Q. What is Celsius US Holdings?

11 MR. McCARRICK: Object to
12 form. Outside the scope.

13 You can answer, although I'm
14 not sure I heard the question.

15 A. Can you repeat, please.

16 Q. What is Celsius US Holdings --

17 MR. McCARRICK: Object to
18 form.

19 Q. -- the company Celsius US
20 Holdings?

21 MR. McCARRICK: Object to
22 form. Outside the scope.

23 You can answer.

24 A. I believe you're referring to a
25 legal entity in Celsius.

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2 Q. Yes. What is that? What is that
3 company? What does it do?

4 A. I think it's a --

5 MR. McCARRICK: Object to
6 form.

7 You can answer.

8 A. To my understanding, it's a, kind
9 of, a roll-up that holds certain activities
10 that are done out of the US entities. So it
11 could be lending. It could be DeFi.
12 Different types of deployment activities.

13 Q. So different deployment activities
14 are outside of the US?

15 MR. McCARRICK: Object to
16 form. Outside the scope.

17 You can answer.

18 A. No, no, I said within the US
19 entities. So it's -- so it's entities that
20 hold certain activities that are in the US
21 holding company including things like DeFi, I
22 believe, retail lending, I believe.

23 Q. What is the current market value
24 of Celsius Network LLC, et al.?

25 MR. McCARRICK: Object to

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2 form. Outside the scope.

3 You can answer.

4 A. I don't have that in front of me,
5 and in theory, with the cryptocurrency
6 holdings that Celsius has on its balance
7 sheet, the value changes by the second. But I
8 don't have it in front of me. I'm sorry.

9 Q. What are the investments, stock,
10 et cetera, held by Celsius US Holdings?

11 MR. McCARRICK: Object to
12 form. Outside the scope.

13 You can answer. And then I'll
14 answer the time question that I just
15 saw posted.

16 A. Okay. So I -- sorry, Ms. Barstow.
17 Can you ask the question again. I get
18 confused with all the -- it's been a long day.
19 I'm sorry.

20 Q. What are the investments, stock,
21 et cetera, held by US -- Celsius US Holdings?

22 A. Okay. Thank you. I'm not sure
23 exactly the investments that are in Holdings.
24 My understanding of the investments are there
25 are certain debt and equity type of

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2 investments.

3 There's lending receivables. I
4 believe there's collateral DeFi activities, et
5 cetera. So, I mean, all -- most of -- a lot
6 of the activity is out of the US entities.

7 MR. McCARRICK: And there's --
8 just for the record, there's around
9 30- -- between 37 and 38 minutes
10 left.

11 Q. Okay. Is all of the asset value
12 of Celsius US Holdings fully reported on the
13 debtors' asset liability schedules that is on
14 record with the bankruptcy court?

15 MR. McCARRICK: Object to
16 form. Outside the scope.
17 You can answer.

18 A. Yes, to our best of our abilities,
19 it would include all of the assets and the
20 liabilities of the entity, of course.

21 Q. Of Celsius US Holding as well?

22 A. For --

23 MR. McCARRICK: Same
24 objections.

25 You can answer.

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2 A. For any of the entities within
3 Celsius.

4 Q. Is it true that Celsius Network
5 only has 3 million of USDC assets and 25,000
6 of GUSD assets in the different -- accounts
7 receivable?

8 MR. McCARRICK: Same
9 objections.

10 You can answer.

11 A. I don't have it in front of me,
12 but it should be included in monthly operating
13 reports and other schedules that we file with
14 the court.

15 Q. What date were the debtors
16 insolvent in regards to the nonalgorithm
17 stablecoin assets?

18 (Stenographer clarification.)

19 MR. McCARRICK: Objection to
20 form. Outside the scope.

21 You can answer to the extent
22 that you're able or no.

23 A. I can't -- I'm sorry, I can't -- I
24 can't hear. I couldn't make it out.

25 Q. What date were the debtors

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2 insolvent in regards to the nonalgorithm
3 stablecoin assets?

4 MR. McCARRICK: Same
5 objections.

6 You can answer to the extent
7 that that you're able or no.

8 A. I'm sorry, I don't understand the
9 question.

10 Q. What dates were the debtors
11 insolvent that you're aware of? When were the
12 debtors aware that they were insolvent?

13 MR. McCARRICK: This question
14 has been asked at least two or three
15 times today. But you can answer it
16 again, Mr. Ferraro.

17 A. Yeah, I wasn't part of the
18 decisions for the pause that the board made,
19 but that's -- that's in my opinion, when we
20 stopped being a going concern.

21 We had paused operations, all
22 activities, and then about a month later we
23 filed for bankruptcy. So I go back to the
24 pause date.

25 Q. Was the debtor paying stablecoin

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2 customers' earn account withdrawals using new
3 funds that were deposited into the earn
4 program?

5 A. I think, you know, the way we
6 managed the balance sheet is the coins are
7 fungible. They're, you know, property of
8 Celsius so we try to manage the risk
9 positions, meaning we don't take directional,
10 kind of, positions with regards to any
11 cryptocurrencies.

12 So I think -- I think at the --
13 you know, we were always, in a fungible way,
14 using Bitcoin to pledge. We were always using
15 stablecoins for operations. If institutions
16 wanted to borrow ETH, we would lend them ETH.
17 Right? So coins -- coins are fungible across
18 all deployment activities.

19 Q. But back to my question: Did the
20 debtors use earn withdrawals to fund -- I
21 mean, did the debtors honor earn account
22 withdrawals using the new funds deposited in
23 the earn program?

24 MR. McCARRICK: Objection to
25 form. Outside the scope.

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2 You can answer.

3 A. We -- we -- like I said, the
4 balance sheet, the way we operate the business
5 is using fungibility -- right? -- we optimize
6 across the balance sheet.

7 We had raised Series A, we had
8 raised Series B. We had an ICO. So at the
9 end of the day, you know, we raised capital,
10 so there was lots of different sources in
11 which we could pay reward rates out, if I'm
12 understanding your question appropriately.

13 CERTIFIED STENOGRAPHER:

14 Somebody has to turn their audio
15 off.

16 THE VIDEOGRAPHER: Somebody
17 has the mic open.

18 CERTIFIED STENOGRAPHER:

19 There's an echo.

20 A. Coins are fungible. We would --

21 Q. -- that answer, but I'll move on.

22 Did the debtor ever have any
23 profits to pay its staff and executive
24 management team salaries from?

25 A. I believe you said "did the

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2 debtors have profits to pay management

3 salaries?" Was that the question?

4 Q. Yes, did the debtors ever have any
5 profits to pay the salaries from --

6 MR. McCARRICK: Objection.

7 Outside the --

8 Q. -- rather than deposit --

9 MR. McCARRICK: Objection.

10 Outside the scope.

11 You can answer.

12 A. Like I said, the balance sheet was
13 fungible. Through the equity raises, we did
14 have significant amount of yield and revenue
15 in order to pay out rewards -- rewards as well
16 as the operational cost.

17 So we had money -- we had revenue
18 come -- we had revenue coming in that was
19 allowing us -- as well as raises, capital
20 raises, that were allowing us to operate.

21 The company -- from my standpoint,
22 the company was positioned for growth really
23 up until when I joined. So, you know, we were
24 growing and you know, we had done two equity
25 raises.

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2 So the resources were fungible
3 across the balance sheet, whether it was
4 stablecoins or whether it was BTC or whether
5 it was capital infusion Series A and B.

6 Q. Did the debtors believe that
7 having title and ownership of the loan within
8 the Celsius account means that there are no
9 Celsius customers, creditors that had secured
10 claims against Celsius security interest?

11 (Stenographer clarification.)

12 MR. McCARRICK: Objection to
13 form. Calls for a legal conclusion.
14 You can answer.

15 A. Not to my knowledge that there's
16 any secured claims.

17 Q. Did Celsius ever refer to its
18 creditors as "customers" verbally or in
19 writing? I know I heard you use the word
20 "customers" to refer to us, as a matter of
21 fact, a few times within this testimony.

22 MR. McCARRICK: Objection to
23 form.

24 You can answer.

25 A. I think of the customers as

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2 customers of Celsius. And I also think of
3 the, largely, the customers as the creditors
4 of Celsius.

5 So they are slightly different but
6 also very similar. Most of our customers are
7 also creditors and most of our creditors are
8 customers.

9 MR. McCARRICK: Just a time
10 update, 30 minutes left on the pro
11 se portion.

12 Q. Why is Celsius requesting to turn
13 Bitcoin and USD coin to cash after repaying
14 the DeFi loan and giving back the collateral?

15 MR. McCARRICK: Objection to
16 form.

17 I couldn't understand the
18 question, if you could repeat it.

19 Q. Why is Celsius requesting to turn
20 Bitcoin and USD coin to cash after repaying
21 the DeFi loan and getting back the collateral?
22 Celsius has a motion to repay a DeFi loan is
23 that the Bitcoin and USD coin --

24 A. Yes.

25 Q. -- and why turn that into cash --

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2 why do they want to turn the collateral into
3 cash?

4 MR. McCARRICK: Objection to
5 form.

6 You can answer.

7 A. I think I understand what you're
8 talking about. I believe this is the notional
9 DeFi loan. You know, we think that DeFi for a
10 very small amount of loan that is highly
11 over-collateralized, we think it's probably
12 better for the estate to pay off the loan and
13 bring the collateral back.

14 MR. McCARRICK: Let's go off
15 the record.

16 THE VIDEOGRAPHER: The time is
17 3:35 p.m. This concludes Media 6.
18 Off the record.

19 (Recess taken from 3:35 p.m.
20 to a owe a 3:49 p.m.)

21 THE VIDEOGRAPHER: The time
22 now is 3:49 p.m. This begins Media
23 7. On the record.

24 MR. McCARRICK: Okay. We are
25 going to go the full seven hours if

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2 that's what people feel the need to
3 do. I would note that most of this
4 deposition has been outside of the
5 scope of what the committee agreed
6 to.

7 In their filing last night at
8 ECF 1412, paragraph 1, they stated:

9 "The debtors and the committee
10 made two agreements: (1) defenses
11 to the formation of a contract with
12 respect to all account holders who
13 transferred cryptocurrency to the
14 debtors, such as fraud, mistake, and
15 misrepresentation, would be fully
16 reserved and would not be tried at
17 this time."

18 That's been the lion's share
19 of this deposition today. I would
20 ask that people try to hew to that
21 agreement going forward. We do
22 want, kind of, the pro se creditors
23 to be heard, particularly those who
24 have stayed here throughout the day.

25 But I would, I guess, commend

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or encourage you not to feel the need to use every single second of the deposition on issues that will be tried at some point. The question isn't whether or not there is going to be discovery into some of these defenses or individualized defenses, the question really is just when.

So with that we can keep rolling. But it's up to you guys to divide the rest of the, kind of, allocation, all right, the kind of time allocation. You guys need to, you know, kind of, do that yourselves. And when we're, kind of, at seven, we're at seven.

BY MS. BARSTOW:

Q. Okay. I just have -- I'm just going to wrap up a few more questions, a couple more of the most important ones that I want to ask and that is: For the unaccredited investors that were not in the custody states, are those individuals considered in the

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2 withhold account or still in the earn account?

3 MR. McCARRICK: Objection.

4 Outside the scope.

5 You can answer.

6 A. Are the customers -- can you,

7 Nicole, Ms. Barstow can you say it one more

8 time, I'm sorry.

9 Q. The customer earn accounts that
10 are not in the states that allow custody
11 accounts, are those accounts still considered
12 earn accounts or are they withhold accounts?

13 A. For new deposits after the --

14 Q. Not new deposits, no. Not new
15 deposits. No, for deposits that are prior to
16 the Version 8 terms of use?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. I think I testified earlier that
21 they were in the earn account and that they
22 stayed in the earn account. But if there was
23 new deposits that occurred in a noncustody
24 state, the new deposits would go to withheld.
25 That's my understanding.

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2 Q. My final question would be: Did
3 retail and institutional borrowers pledge
4 collateral in order to get loans from Celsius?

5 A. In retail and most institutional,
6 there was some institutional clients that took
7 out unsecured loans.

8 Q. What about for retail?

9 A. Yeah, I said for retail and most
10 of institutional.

11 Q. Okay. And most of institutional
12 loans were also pledging collateral as well?

13 MR. McCARRICK: Objection.

14 Outside the scope.

15 A. Yeah, that's what I said, yes.

16 MS. BARSTOW: Well, this is
17 related to the scope because it has
18 to do with whether or not those
19 assets belong to the estate,
20 because, yeah, for a specific
21 reason. But -- okay. That's all my
22 questions. Thank you.

23 THE WITNESS: Thank you.

24 MR. McCARRICK: All right.

25 Next -- next up to bat, if you could

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2 state and spell your name before you
3 start questioning.

4 MR. HERRMANN: Hello,

5 Mr. Ferraro. I am Immanuel

6 Herrmann, pro se creditor.

7 I-m-m-a-n-u-e-l H-e-r-r-m-a-n-n.

8 MR. McCARRICK: Great.

9 Thanks, Mr. Herrmann. I just want
10 to tell you, your connection seemed
11 a little bit shaky or choppy, so
12 there may come a point where you
13 need to, kind of, reconnect. So
14 just make sure you're asking your
15 questions slowly so the connection,
16 kind of, stays stable or whatever.

17 MR. HERRMANN: Okay. Great.

18 I'll do my best to speak very
19 clearly. Also, hello, this is my
20 first deposition, so I'll try my
21 best to do it in order and its not
22 just yours, so ...

23 EXAMINATION BY

24 MR. HERRMANN:

25 Q. So actually, my first question,

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2 Mr. Ferraro, is actually about -- it is a
3 terms of service question, actually.

4 I'm wondering, are you familiar
5 with the September 29, 2022, terms of service
6 update that's posted on the Celsius website?

7 A. Not specifically.

8 Q. Are you aware that the terms of
9 use were updated post-petition on
10 September 29, 2022?

11 MR. McCARRICK: Object to
12 form.

13 You can answer.

14 A. I haven't studied those, no.

15 Q. Okay. I'm raising this issue
16 because some of us discovered -- I don't
17 believe we received any notice about it,
18 however, there have been -- I believe Cam
19 Crews, who spoke to you earlier, compared this
20 terms of use to others and that material
21 changes have been made.

22 So you're not aware of any changes
23 post-petition and you did not approve changes
24 post-petition?

25 MR. McCARRICK: Object to

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2 form.

3 You can answer.

4 A. Yeah, I'm a little bit confused in
5 the conversation, honestly, I'm not aware.

6 Q. Okay. I mean, I could share, but
7 I think in the interest of time, I'll just
8 state here that if you go to the website and
9 you just look at the current terms of use, it
10 says "September 29, 2022," and that they are
11 not the same as the last version that's filed
12 in the declaration of Alex Mashinsky.

13 And so I don't believe they're in
14 the docket, but I think we could just say this
15 is a matter for follow-up and I don't need to
16 ask you further questions on it, but I will
17 follow up with T.J. about it, if that's all
18 right.

19 A. Yeah, like I said, I'm not quite
20 following, so I apologize, but yeah.

21 Q. No, just to be clear, I mean, what
22 it really is, is there's a new terms of use,
23 if you just go to the website, that's not
24 identical to what was there before.

25 A. Okay.

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2 MR. McCARRICK: Object to
3 form. You can -- yeah, I think you
4 were just making a statement. So
5 okay got it.

6 MR. HERRMANN: I mean that was
7 just a statement. You don't need to
8 answer.

9 Q. So I guess another question I have
10 is just related to your conversations with
11 creditors.

12 Earlier in the deposition, the UCC
13 had asked if you spoke with retail investors
14 yourself. And you had said that you spoke
15 with members of the UCC, including the
16 co-chairs. Is that correct?

17 A. Yes, sir, yes.

18 Q. Great. So I'm told -- I, like
19 you, am not a bankruptcy lawyer, however, I am
20 told that in restructurings, it's often
21 typical to speak with creditor groups and to
22 resolve some of the types of problems we are
23 having with property issues, for example, by
24 working it out and making deals among the
25 groups.

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2 Is that something that would
3 interest you, speaking with creditors from
4 earn and loans and trying to mediate some of
5 these groups to get us out of Chapter 11 more
6 quickly?

7 MR. McCARRICK: Object to
8 form. Outside the scope.

9 But you can answer.

10 A. As long as it's within the code
11 and it maximizes value for the estate, no
12 stone is left unturned, absolutely.

13 Q. As far as I understand, it's all
14 doable within the code, Mr. Ferraro. There
15 may, however, be issues around some of the
16 agreements that require extreme secrecy that,
17 you know, with bidders, or just who's allowed,
18 what we're allowed to talk about.

19 So, you know, I know that we --
20 Celsius in general has talked about
21 transparency. But are you willing to consider
22 opening up conversations about the reorg with
23 more groups of customers?

24 MR. McCARRICK: Object to
25 form. Well outside the scope.

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2 You can answer.

3 A. I would love to. My understanding
4 is that we need to get to a disclosure
5 statement before we can market the plan. We
6 are working actively on the reorganization
7 plan. And I tremendously look forward to
8 being able to discuss it with all of the
9 stakeholders, absolutely, Mr. Herrmann.

10 Q. All right. Thank you. Well, I
11 would just encourage you, you know, remind
12 you -- I mean, I guess, one question is: Does
13 Kirkland work for you? Like, who do they
14 actually report to? Who's, like, the big boss
15 at ...

16 MR. McCARRICK: Object to
17 form. I don't think anyone knows
18 the answer to that question.

19 You can answer.

20 A. Yeah, my understanding is that
21 Kirkland is legal advisors to the company
22 engaged through the special committee of the
23 board. So I work -- I work closely with them.
24 They do not represent me personally.

25 Q. Yeah, I wasn't actually implying

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2 that. I know you've gotten questions on that
3 line before. I was more just stating that,
4 you know, I think that there may be certain
5 requirements, but that requirements can be
6 waived by the debtor.

7 And so there's just questions
8 about, you know, I'm not actually sure -- for
9 example, let's talk about exclusivity for a
10 moment.

11 I think part of the issue here is
12 that because of exclusivity, we can't talk
13 about -- you may have to put forward a plan
14 first.

15 So who made the decision to extend
16 exclusivity?

17 MR. McCARRICK: Objection to
18 form. Well outside the scope.

19 You can answer.

20 A. My understanding is that that's a
21 special committee decision, a decision in
22 which I support. We're actively working on a
23 plan. That would be very difficult to work on
24 multiple plans at the same time.

25 We do listen to the community.

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2 And we are trying to, kind of, take the best
3 ideas and bring them forth in a reorganization
4 plan that will, you know, provide as much
5 value back to the customers and the creditors
6 as we possibly can.

7 Q. Okay. Well, I would just
8 encourage you, again, to consider leaving no
9 stone unturned, as you said, and really
10 explore your options with the special
11 committee and with Kirkland.

12 And you know, one last question I
13 have for you in this area is: Would you be
14 willing to meet with groups of creditors from
15 loans and earn -- you or a designee from
16 Celsius -- regularly?

17 MR. McCARRICK: Object to
18 form.

19 You can answer.

20 A. I would love to. And I will
21 follow up with my legal advisors on what the
22 art of the possible is here.

23 Q. Okay. Thank you. So now I'm
24 going to move on to some different kinds of
25 questions. I'm sorry if I'm a bit out of

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2 order. But I just had a lot of people ask
3 things that I tried to get through.

4 So one question is about the
5 bidding, on how many viable bids would you say
6 that you have right now?

7 MR. McCARRICK: Object to
8 form. Outside the scope.

9 You can answer.

10 A. I'm not going to discuss about the
11 sales and marketing process and the number of
12 bidders. I don't think that would be helpful
13 to the estate.

14 MR. McCARRICK: And can I
15 just -- are those subject to NDAs?

16 THE WITNESS: In the overall
17 practice -- is NDA, yes, of course.

18 MR. McCARRICK: Okay. Then
19 I'm going to instruct you not to
20 breach any NDA or NDA, nondisclosure
21 agreement, in response to any of
22 these questions.

23 You can continue to ask.

24 MR. HERRMANN: Okay. So for
25 the record, you're directing your

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2 client not to answer?

3 MR. McCARRICK: Correct. I'm
4 not going to instruct him to violate
5 an NDA, no.

6 BY MR. HERRMANN:

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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Q. Thank you. So, yeah, I mean, one
reason I encourage you to talk to the

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2 different credit groups is, for example, earn
3 and loans have been in very close
4 conversation, and just as an example, you
5 know, the loans people -- I mean, look, this
6 is nothing binding here -- but you know,
7 they're willing to talk about increasing
8 interest rates and lengthening term. We
9 haven't quite figured out how to deal with
10 haircuts, for example.

11 And then on the earn side, some
12 potential bidders that we've talked to have
13 been willing to do all sorts of things. For
14 example, converting earn deposits into loans
15 or other creative ideas or, you know, giving
16 incentives to lock up funds, but that's more
17 complicated --

18 CERTIFIED STENOGRAPHER: We
19 lost you there, Mr. Herrmann.

20 MR. HERRMANN: What do I need
21 to repeat?

22 CERTIFIED STENOGRAPHER: I'll
23 repeat the last thing.

24 (Record read.)

25 Q. Okay. Yeah, I kind of lost my

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2 train of thought. I'm sorry.

3 I would just encourage you -- I'll
4 just restate it from the beginning.

5 I would just say that basically
6 loans, you know, the earn has been talking to
7 loans. We talked about increasing interest
8 rates, lengthening terms, and then on the earn
9 side, we talked about could we convert them
10 into loans or something that increases the
11 value of the loan, these sorts of ideas.

12 These are the kinds of
13 conversations that are happening. I'm sure
14 the UCC has brought some of these ideas to
15 you. This is just one reason I was
16 encouraging you to talk to creditors. And I
17 think I can just leave it at that. Hopefully,
18 you got all of that, and I'll ask the next
19 question.

20 The next question is actually on
21 clawbacks. Do you support insider clawbacks
22 for people who withdrew in the one-year period
23 prior to the petition date?

24 MR. McCARRICK: Objection to
25 form. Wildly outside the scope.

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2 You can answer.

3 A. The clawbacks are not in my lane.

4 I don't -- I don't have a say in the
5 clawbacks. That's, you know, with the special
6 committee and through the bankruptcy process.
7 So I -- it's not -- it's not something that I
8 focus on.

9 I'm a guy who believes in fairness
10 and following the rules of the law. So
11 whatever the outcome of that is is the
12 outcome. And if it brings money back to the
13 estate, it brings money back to the estate.
14 But that's something that's not on my agenda,
15 not in my lane, and not in my control.

16 Q. All right. Will you set an
17 example by not using estate resources to fight
18 against insider clawbacks and encourage other
19 executives to not fight, to not aggressively
20 fight back against clawbacks?

21 MR. McCARRICK: Object to
22 form. I'm not sure what the
23 question there was.

24 Could you rephrase?

25 MR. HERRMANN: Sure.

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2 Q. Will you set an example by not
3 using estate resources, i.e., not paying
4 Kirkland & Ellis to fight insider clawbacks?

5 MR. McCARRICK: Object to
6 form. Outside the scope.

7 You can answer.

8 A. I'm not pushing against clawbacks
9 at all. I'm not actively working against
10 clawbacks. I can't promise you, Mr. Herrmann,
11 that the activities of the special committee
12 and other stakeholders won't look into this.
13 My belief is they will make the right
14 decision.

15 But I can give you my word that I
16 will not be pushing back against clawing back
17 value for the estate in any means. My job is
18 to maximize value for the estate and to bring
19 money into the estate.

20 Q. All right. So now I have some
21 questions about Alex Mashinsky.

22 Can you describe Alex Mashinsky's
23 current role of the company as chairman of the
24 UK company?

25 MR. McCARRICK: Object to

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2 form. Outside the scope.

3 You can answer.

4 A. My understanding is he has no
5 interaction with the company whatsoever. I
6 have not spoken to Alex Mashinsky since the
7 resignation. I have not engaged with him as
8 the board. To my understanding, the full
9 board has not met, only the special committee
10 is holding session.

11 So from my vantage point, Alex
12 Mashinsky is nowhere to be seen in any of the
13 business or governance of what's happening.
14 The only time I hear from Alex Mashinsky is
15 when I see a tweet.

16 Q. Okay. Is he receiving any
17 compensation currently from Celsius?

18 A. To my knowledge, nothing. He went
19 off of the payroll in September, and there is
20 no other compensation being paid.

21 Q. All right. Another terms of use
22 question that we will move on to: Are you
23 familiar with the best commercial and
24 operational efforts language in the terms of
25 use?

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2 A. Not specifically.

3 Q. The terms of use recent versions,
4 including the ones that you reviewed
5 carefully, I believe 7 and 8 -- 6, 7, and 8
6 are the ones that you said that you reviewed.
7 Yes?

8 A. Yeah. But I didn't memorize every
9 word, and I do not have it in front of me. So
10 I need a little help.

11 Q. Sure. I can try to find the exact
12 clause. It says "best commercial and
13 operational efforts." Let me see if I can
14 find it. Yes. Okay. So I can read it to you
15 here. It says:

16 "We may lend, sell, pledge,
17 hypothecate, assign, invest, use,
18 commingle, or otherwise dispose of
19 assets and eligible digital assets
20 that are not held in a custody
21 wallet, if available to you, to
22 counterparties, or hold the eligible
23 digital assets with counterparties.
24 And we will use our best commercial
25 and operational efforts to prevent

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2 losses."

3 A. Yeah. Yeah.

4 Q. When was the first time that you
5 became familiar with this language?

6 A. In preparation for this, in
7 signing the declarations, and reviewing
8 things. So -- and --

9 Q. Understood. So as chief financial
10 officer, you were not aware that you were
11 required to use best commercial and
12 operational efforts to prevent losses?

13 MR. McCARRICK: Object to
14 form.

15 Q. And what that meant? You were
16 never advised --

17 A. From my --

18 Q. You were never advised about that?

19 MR. McCARRICK: Object to
20 form. Outside the scope.

21 You can answer.

22 A. From my understanding, that's what
23 we do. We might have not been perfect, but
24 that is what we attempted to do, best business
25 operational, kind of, processes, strategic

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2 thinking, et cetera.

3 So I don't think that -- I don't
4 think that there's anything, since I joined
5 March 21, 2022, that I've done otherwise other
6 than what that clause states.

7 Q. I mean, there's a lot of missing
8 Bitcoin. So was that best commercial -- was
9 that -- was that best efforts to preserve
10 depositor property?

11 MR. McCARRICK: Obj- --

12 Q. Whatever happens --

13 MR. McCARRICK: Okay. Object
14 -- object to form.

15 You can answer.

16 A. There's unfortunate events
17 occurred. Some of them in 2020, some of them
18 in 2021, and some of them in 2022. They're
19 unfortunate.

20 I would say the front-to-back,
21 kind of, understanding of risk in this
22 industry, it's a nascent industry, clearly was
23 not adequate, the measurement and
24 understanding of risk. I think that's
25 industry-wide. Did Celsius fail in its

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2 attempts? Yes. Did it attempt? Absolutely.

3 Q. All right. How is a signature
4 recorded, an individual -- and this maybe is
5 better for tomorrow if you are not the person
6 for this.

7 How is an individual signature
8 recorded?

9 A. I think --

10 Q. -- by --

11 A. Yeah. I think it's best for
12 tomorrow.

13 Q. All right. So I have some
14 tax -- following up on some of the tax
15 questions, we covered your users treatment of,
16 you know, the 1099s, Cam Crews covered that.

17 I have some follow-up questions
18 about how Celsius treated certain, you know,
19 whatever you want to call it, you know, when
20 you -- when you receive the funds from users,
21 let's say.

22 Did Celsius consider -- on
23 Celsius' tax returns, did it claim that it
24 owned earn deposits?

25 A. I'm sorry. Does -- on

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2 Celsius' -- any deployment?

3 Q. Audits -- let's just say --
4 okay -- let's -- I'll restate.

5 Did Celsius in its books and
6 records -- let's start with the books and
7 records. Celsius in its books and records
8 reflect earn deposits as its property?

9 A. Consistent with the terms in
10 use -- consistent with the terms in use, the
11 user coins that are put on the platform are --
12 not in the custody, in the earned product, are
13 a liability on the balance sheet.

14 We have a contractual IOU between
15 Celsius and the customer. We represent that
16 as an asset of Celsius, the coin, and an
17 obligation or liability to the customer.

18 So, yes, earn deposits, earn
19 placements are considered to be a liability on
20 the balance sheet.

21 Q. Okay. And then when Celsius
22 would -- because you say that title was
23 transferred -- you were doing things like
24 discretionary trading -- although that was
25 never marketed, but we know that that was

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2 happening.

3 So when those sort of events
4 happened, did Celsius record that as -- in
5 other words, you took possession of the coins
6 and then you had to pay taxes on it, you were
7 trading it. It was your property?

8 MR. McCARRICK: Mr. Herrmann,
9 you broke up in the middle of your
10 question there. Could you re-ask
11 it?

12 MR. HERRMANN: Yes.

13 Q. When you traded coins, for
14 example, like you sold coins, was that treated
15 as Celsius' property? You were paying taxes
16 on it?

17 MR. McCARRICK: Object to
18 form. Outside the scope.

19 You can answer.

20 A. To my understanding, yes. Those
21 are all taxable events for the company. The
22 coins are on our balance sheet, we have title
23 to them. If we trade them and take gains or
24 losses versus the basis, those flow through to
25 taxable income or loss.

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2 Q. Great. And then for your taxes
3 themselves, did you record gains and losses
4 based on those trades?

5 MR. McCARRICK: Object to
6 form. Outside the scope.

7 You can answer if you know.

8 A. I think that's what I just
9 answered -- right? -- was that --

10 Q. Yeah, I think we were talking
11 about books and records. So I was just
12 clarifying that that's what rooted to the
13 company's tax return.

14 A. Yeah, that would flow through the
15 company's tax return.

16 Q. Thank you. What is -- what is
17 a lo- -- so earn deposits were loans to
18 Celsius. Correct?

19 MR. McCARRICK: Object to
20 form.

21 You can answer.

22 A. Yes.

23 Q. How can you loan something and
24 also give up all rights and title?

25 MR. McCARRICK: Object to

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2 form. Asked and answered.

3 You can answer again.

4 A. It's transferred title and we have
5 an obligation to return the coin to you in
6 normal course.

7 Q. So it's something like an ETN or
8 something like that?

9 A. I would say --

10 MR. McCARRICK: Object to
11 form.

12 You can answer.

13 A. I would say just very clearly, the
14 customers place the coins in the earn program.
15 They are transferring title and ownership to
16 Celsius. Celsius has an obligation to return
17 that coin in kind back to the customer in
18 normal course.

19 That's the terms in use. That's
20 the way we record it on the balance sheet.
21 That's the way we manage the business.

22 Q. All right. I guess, going back to
23 the commercial best efforts, you know,
24 reasonable best efforts, I guess that's where
25 people may beg to differ about whether those

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2 efforts were taken.

3 In your view, was -- was -- you
4 know, you talked about some unfortunate events
5 that took place. Do you think that those
6 actions were appropriate within the industry?

7 MR. McCARRICK: Object to
8 form. Outside the scope. Also just
9 vague as to "actions."

10 But you can answer to the
11 extent you understand the question.

12 A. I mean, we're in the lending
13 business, and in DeFi we did some centralized,
14 kind of, trading. I think that's pretty
15 similar to what other similar platform players
16 were doing to Celsius.

17 Q. All right. Well, maybe the
18 industry needs to have better risk management
19 because it's pretty ...

20 CERTIFIED STENOGRAPHER: We
21 lost you again, Mr. Herrmann.

22 Q. -- but I think that might, given
23 the amount of missing funds.

24 Does Celsius have net operating
25 losses on its balance sheet?

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2 MR. McCARRICK: Object to

3 form. Outside the scope.

4 You can answer.

5 A. There are net operating losses on
6 the balance sheet, yes.

7 Q. Is there a way that those losses
8 can accrue to the benefit of creditors?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer to the extent
12 you understand it.

13 A. I'm not a tax advisor or an
14 expert. I know we've had conversations around
15 this base. I think it comes down to a legal
16 discussion about changing control and the
17 ability to carry forward NOLs. But that's --
18 that's, kind of, the sum total of my knowledge
19 on the topic.

20 I know we looked into it. There's
21 a lot of value there, but I think it's
22 difficult according to the IRS code. My
23 understanding would change in control.

24 MR. HERRMANN: Okay. I just
25 need a minute to go through

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2 questions here to find some, but ...

3 Q. How often would you say you speak
4 with the special committee?

5 MR. McCARRICK: Object to
6 form. Outside the scope.

7 You can answer.

8 A. Regularly.

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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[REDACTED]

Q. Understood. So just going back to
taxes for a second. It sounds like the
company did treat digital assets corresponding
to balances and earn accounts differently from
digital aspects -- assets corresponding to
balances and custody accounts.

Is that correct?

MR. McCARRICK: Objection.

Outside the scope in multiple ways.

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2 You can answer to the extent
3 you know.

4 A. Yeah, my understanding is that
5 it's different. One is an asset of the
6 company vis-a-vis earn that can be deployed,
7 rehypothecated, lent out, otherwise invested,
8 or sold. And the other is custody, title
9 remains with the customer, segregated in a
10 custody workspace, not to be deployed.

11 Q. All right. Can you tell me the
12 first time you talked about grandfathering in
13 nonaccredited US investors to earn?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer. And you may
17 have answered this actually already
18 today, but you can answer again.

19 A. The first time I talked about
20 accredited and nonaccredited investors with
21 earn?

22 Q. Grandfathering specifically.

23 A. I wasn't part of --

24 Q. Grandfathering them in.

25 A. I wasn't part of those discussions

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2 or decisions.

3 Q. Okay. When -- in your opinion,
4 are the terms of use clear and unambiguous?

5 A. In my opinion, 100 percent clear
6 and -ambiguous.

7 Q. Are they clear and unambiguous
8 about what happens when a nonaccredited US
9 investor, after April 15, pays off a loan?
10 Are they clear and unambiguous about what
11 happens?

12 MR. McCARRICK: Object to
13 form.

14 You can answer.

15 A. Before the freeze or after the
16 freeze? Are you talking normal course or --

17 Q. Let's say before the freeze. It's
18 May 15, 2022. A nonaccredited US investor
19 pays off a loan. Their collateral is placed
20 in earn.

21 Do you believe that the contract
22 is clear and unambiguous, the loan and the
23 earn contracts, and that the relationships
24 between the two contracts are clear and
25 unambiguous, and that if completely clear from

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2 reading those contracts, that the collateral
3 should be placed in earn?

4 MR. McCARRICK: Object to
5 form. You can answer to the extent
6 you understand or know.

7 A. I think title has been transferred
8 to Celsius in the earn program. If a customer
9 then wants to use that collateral in the
10 lending program, title is going to remain with
11 Celsius.

12 And if it goes back to the earn
13 program and the customer chose to stay in the
14 earn program, the asset would be deployed.
15 Celsius would use its balance sheet to
16 maximize from a risk-based standpoint the
17 yield in order to pay rewards back to the
18 customers.

19 Q. Have you read the loan agreements,
20 Mr. Ferraro?

21 A. I believe I've cursory reviewed
22 them but not in detail.

23 Q. I would encourage you to do so,
24 and in particular, the section that says,
25 coins that are deposited, that the customer

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2 has sole title to the coins.

3 MR. McCARRICK: Object to
4 form.

5 Q. Are you familiar with that
6 language? Are you familiar that the loan
7 agreement has language that coins deposited,
8 that the customer has sole title to the coins?

9 MR. McCARRICK: Object to the
10 form.

11 A. Sir, it's not in front of me. So
12 I can't -- I'm under -- giving testimony under
13 oath. I don't have it in front of me. It
14 doesn't -- you know, we'd have to go through
15 the specifics.

16 MR. HERRMANN: How much time
17 do we have left overall? I just
18 want to be sensitive to not taking
19 up too much of the creditors' time
20 here.

21 MR. McCARRICK: I'll defer to
22 the videographer.

23 MS. BARSTOW: Object to form.

24 THE VIDEOGRAPHER: About an
25 hour and 55.

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2 MR. McCARRICK: About an hour
3 55 left, it sounds like.

4 And Ms. Barstow, could you go
5 on mute.

6 MS. BARSTOW: Whoops.

7 MR. HERRMANN: All right.

8 Then I think I will see if I can try
9 to find this line of language.

10 Q. But I think it may be hard,
11 Mr. Ferraro, in this deposition with me, sort
12 of, just reading it to you, if you're not
13 familiar with the contracts, it might take
14 quite a long time to have you read it through
15 and, sort of, figure out the re- -- I'll save
16 this for another day.

17 A. Yeah.

18 Q. But there is language. I would
19 just state here that I would encourage you to
20 prepare for this, because there is language
21 that customers have sole title.

22 MR. HERRMANN: So I would --
23 you know, I will state for the
24 record that I object to the
25 supposition that the contracts are

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2 plain and unambiguous, especially
3 the relationship between the
4 contracts, but the contracts in
5 general.

6 Q. So I do have a follow-up question,
7 actually, that you can answer.

8 After April 14, when a loan
9 extended under the borrow program was repaid
10 or liquidated, how did Celsius determine
11 whether the collateral securing such a loan
12 would be placed in an earn account or a
13 custody account?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. Tomorrow Oren Blonstein will be
18 here. He's an expert in this space. My
19 understanding is when the loan was paid off or
20 liquidated, any remaining collateral, post the
21 custody launch in the US, any of the remaining
22 collateral went back to the custody account
23 for the nonaccredited.

24 Obviously, if you were accredited,
25 there was no custody account and it would have

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2 gone to earn.

3 Q. Okay. That's incorrect because
4 I'm a nonaccredited US customer whose
5 collateral was placed into earn after
6 April 15. So I can talk tomorrow with Oren
7 about that.

8 A. Perfect. Thank you, sir.

9 Q. So I'm not going to -- no need to
10 ask you another question about it, unless you
11 want to correct something.

12 A. I don't have anything in front of
13 me to correct it with. I apologize.

14 Q. That's fine. That's just -- so
15 you're aware, there are nonaccredited US
16 investors who had their collateral placed in
17 earn after April 15.

18 MR. McCARRICK: Object to
19 form.

20 Q. Okay. I have a follow-up
21 question. Now that you're aware of that, do
22 you believe the contracts are clear and
23 unambiguous for that specific situation?

24 A. In my --

25 MR. McCARRICK: No. Object to

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2 form. Mischaracterizes.

3 You can answer.

4 A. In my preparation, I -- I studied
5 the terms of use related to the earn product
6 and the custody offering in 8. That's
7 consistent with my declaration and my
8 deposition.

9 Tomorrow, Oren will be here to
10 further discuss this, Mr. Herrmann.

11 Q. All right. Has Celsius removed,
12 edited, or altered content or videos on or
13 from its application, website, Twitter
14 account, YouTube account, Medium account, or
15 other Internet space since March 1, 2022?

16 MR. McCARRICK: Objection to
17 the form. This is specifically
18 carved out, these kind of formation
19 defenses, defenses related to fraud
20 and misrepresentation and the like.

21 You can respond to the extent
22 you know. I think you've answered
23 the question about these kind of
24 statements multiple times today, but
25 please answer it again.

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2 A. Sir, I had no part in editing,
3 putting up videos. I was never part of an
4 AMA. I'm not in marketing. I'm a, kind of,
5 finance guy who tries to, you know, run a
6 business effectively. I can't speak to any of
7 these edits or anything like that.

8 I had no first-hand knowledge of
9 the process or what occurred, what was edited,
10 or if it was edited or not.

11 BY MR. HERRMANN:

12 Q. Who at Celsius approved this,
13 noting that you were in a senior leadership
14 position while all these things were approved?

15 MR. McCARRICK: Object to
16 form. Outside the scope.

17 A. I became the CFO on July 13, 2022,
18 and in my capacity as CFO and as my capacity
19 as acting chief executive officer and chief
20 restructuring officer, I have not been part of
21 editing videos or heard of editing videos
22 under my control or watch, sir.

23 Q. Will you commit to ceasing any
24 more removal of videos, editing, that sort of
25 thing?

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2 MR. McCARRICK: Object to

3 form.

4 Q. So to, like, restate it clearly
5 because the form was poor, will you commit as
6 the acting CEO to order the immediate
7 cessation of going through all of Celsius'
8 content using estate funds --

9 MR. McCARRICK: Objection --

10 Q. -- and editing it?

11 MR. McCARRICK: Object to the
12 form.

13 Q. And removing it?

14 MR. McCARRICK: Object to the
15 form. Mischaracterizes. Outside
16 the scope.

17 You can answer.

18 A. I am not a part of or will be part
19 of editing videos or making videos for
20 YouTube, sir.

21 Q. Sir, to be clear, you are not
22 willing to -- you're not willing to basically
23 order people at the company to stop this
24 activity?

25 MR. McCARRICK: Object to the

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2 form.

3 Q. But you're the CEO, you could
4 direct people not to do this activity anymore.

5 MR. McCARRICK: Object --

6 Q. You're not willing to make that
7 commitment?

8 MR. McCARRICK: Okay. Object
9 to the form. Well outside the
10 scope. Was specifically carved out
11 pursuant to the agreement.
12 Mischaracterizes.

13 And now you can answer.

14 A. To -- to my -- best of my ability,
15 there will be no editing or production of
16 videos going to YouTube. I run a very classic
17 business. The idea of putting out
18 ask-me-anythings and, as you are describing,
19 potentially editing them, not on my watch,
20 sir.

21 I don't need to say it's not going
22 to happen. It's not happening on my watch. I
23 don't -- I don't partake in this stuff. I
24 don't think it's valuable to the estate. I
25 can't speak to what happened in the past, but

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2 this is not an activity that I'm involved in
3 or would condone.

4 If it's happening, I don't know
5 about it and it will stop, sir. Unless
6 there's a good reason for it, it should not go
7 on. I do not know of any editing that's
8 happening right now with videos.

9 MR. McCARRICK: Object to --

10 Q. Excellent. I do not either, to be
11 clear, at the moment. I know there's been a
12 lot of it, and maybe even including as you
13 transitioned into the role, which is not
14 saying you oversaw it or knew.

15 But I think it has been going on
16 and it may still be going on. I don't know.
17 But I'll leave it at that. Thank you for
18 stating that you don't support that.

19 So from the time you've been CFO
20 and just during your time at Celsius, in the
21 ordinary course of business, did Celsius pass
22 on 80 percent of its gross revenue to account
23 holders in the form of rewards?

24 MR. McCARRICK: Object --

25 Q. There were definitely statements

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2 about that, so I just want to ask if that was
3 true.

4 MR. McCARRICK: Okay. Object
5 to form. Again, this was carved
6 out. We didn't respond to this
7 written deposition question.

8 We'll let you respond to it
9 here if you have personal knowledge.

10 If you don't, you should say so.

11 A. Yeah, my understanding is that
12 they targeted a payout at 80 percent, but in
13 reality, because the deployment didn't return
14 the income that was expected, it was actually
15 above 80 percent.

16 Q. It was above 80 percent, that's
17 your understanding?

18 A. Yeah, the pay out ratio was above
19 80 percent. I know this through the budgeting
20 exercise that I worked on.

21 I will say this: I grew up in an
22 industry where you don't price to things like
23 80 percent. You look at the risk-based return
24 on risk-based capital, and you accrete value
25 based on upon making the right decisions.

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2 So I would not support, nor would
3 I go out in a new company saying 80 percent or
4 anything like that. I would -- I would do my
5 best to earn a reasonable market-based return
6 on the capital and manage the risk.

7 Q. All right. Do any retail or
8 institutional borrowers who had stablecoin
9 loans from Celsius still have these cash loans
10 in their possession?

11 MR. McCARRICK: Object to the
12 form. Outside the scope.

13 You can answer, Mr. Ferraro.

14 A. If I understand the question
15 correctly, outstanding loans, do customers
16 still have the fiat or the stablecoins?

17 Q. Yeah.

18 A. I think that's based upon their
19 spending habits and what they wanted to do
20 with the money. I don't know what customers
21 do with the money that we give them, whether
22 it's in stables or whether it's in fiat.

23 They could have bought a car.
24 They could have paid off bills. They could
25 have gone on a vacation. Honestly, I don't

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2 know what remains in their bank account, sir.

3 Q. All right. Is Celsius -- is the
4 parent company an LLP? Is it a C Corp.? What
5 is the corporate structure of the parent
6 company of Celsius?

7 MR. McCARRICK: Objection.

8 Doesn't have any apparent relevance
9 to the current motion. Outside the
10 scope.

11 You can answer.

12 A. Not in front of me, and I don't --
13 honestly, I don't know the answer to that.
14 We're a corporation. We have numerous LLCs,
15 but I don't know what the total rollup is.

16 Q. I'm surprised you don't know, but
17 I'll leave it at that.

18 A. I'm busy on a lot of stuff, sir.

19 MR. McCARRICK: Objection. No
20 need -- no need -- objection. No
21 need to comment on the witness'
22 answer.

23 MR. HERRMANN: Fair.

24 Q. When did -- when did you -- when
25 did you first become aware that Celsius was

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2 insolvent?

3 MR. McCARRICK: Object to
4 form. I think he's answered this
5 question now three or four times
6 today.

7 MR. HERRMANN: All right. We
8 can move on then actually. That's
9 fine.

10 I think I'm pretty much -- I
11 think that's -- I think I'm good. I
12 want to leave time for the other pro
13 se questioners. So thank you.

14 THE WITNESS: Thank you.

15 MR. HERRMANN: And I'll pass
16 it
17 onto the next person.

18 MR. McCARRICK: Thank you,
19 Mr. Herrmann.

20 Could the next questioner
21 announce their name, spell it for
22 the record.

23 MR. FRISHBERG: Yes. My name
24 is Daniel Frishberg, D-a-n-i-e-l,
25 Frishberg, F-r-i-s-h-b-e-r-g. I've

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2 got a couple of questions.

3 EXAMINATION BY

4 MR. FRISHBERG:

5 Q. I'll start off with something
6 fairly easy. I don't think this has been
7 covered yet. Has Celsius modified any dates
8 in the app showing when the awards were paid
9 out and/or the amount of the awards paid out?

10 MR. McCARRICK: Objection to
11 form.

12 You can answer.

13 A. Not to my knowledge, sir.

14 Q. Okay. Because they were modified.
15 Also this is -- yeah, this is a big one that I
16 tried communicating -- when I was in
17 communication with Mr. Latona with Kirkland &
18 Ellis, he said:

19 "Prior to the petition date,
20 the company sold approximately
21 31,000 Bitcoin worth approximately
22 \$750 million on the FTX platform to
23 repay DeFi borrowings, freeing up
24 approximately 41K of collateral."

25 I assume this is reference to the

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2 41K Bitcoin collateral:

3 "In the form of WBTC worth
4 approximately \$950 million, which
5 was returned to the company's
6 treasury."

7 My question is where did the --
8 sorry, end quote at the "treasury."

9 Where did that 41,000 W Bitcoin
10 go? Because according to court filings,
11 Celsius only had approximately 24,000 W
12 Bitcoin and about 14,000 Bitcoin, which is
13 less than the amount withdrawn from FTX, and
14 blockchain data shows that Celsius pulled out
15 about 55,000 Bitcoin from DeFi petition.

16 MR. McCARRICK: Okay. First,
17 object to form. Outside the scope.

18 You can answer to the extent
19 that you know.

20 And Mr. Frishberg, I can talk
21 at a pretty quick clip. If you can
22 just slow it down a hair.

23 MR. FRISHBERG: Sorry. I'm
24 nervous.

25 MR. McCARRICK: No, it's

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2 totally fine. Just especially when
3 the questions are so long, it's
4 easier to break it down if you slow
5 down just a hair.

6 But you can answer.

7 THE VIDEOGRAPHER: Hold on one
8 second. I need to go off the
9 record. The camera is dark in here
10 because of the lighting. I need to
11 go off the record, reset, and go
12 back. Take a quick minute.

13 MR. McCARRICK: Mr. Frishberg,
14 re-ask the question.

15 (Discussion off the record.)

16 MR. McCARRICK: Off the
17 record.

18 THE VIDEOGRAPHER: The time
19 now is 4:40 p.m. This concludes
20 Media 7. Off the record.

21 (Recess taken from 4:40 p.m.
22 to a 4:49 p.m.)

23 THE VIDEOGRAPHER: The time
24 now is 4:49 p.m. This begins Media
25 8. On the record.

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2 MR. FRISHBERG: May I ask my
3 question again, or are you guys
4 ready?

5 THE VIDEOGRAPHER: Yes.

6 MR. FRISHBERG: Okay. Cool.

7 BY MR. FRISHBERG:

8 Q. Because I have a statement
9 ventured in the question. When I was in
10 communication with Mr. Latona, he said:

11 "Prior to the petition date,
12 the company sold approximately
13 31,000 Bitcoin worth approximately
14 \$750 million on the FTX platform to
15 repay DeFi borrowings, freeing
16 approximately 41,000 collateral in
17 the form of W Bitcoin worth
18 approximately \$750 million, which
19 was returned to company's treasury."

20 So my question is: Where did that
21 41,000 W Bitcoin go according to Celsius --
22 according to court filings, Celsius has
23 approximately 24,000 W Bitcoin and about
24 14,000 Bitcoin, which is 3,000 less than the
25 central FTX.

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2 Blockchain data also shows that
3 Celsius ended up pulling out about 55,000
4 Bitcoin from DeFi prepetition, but it's not
5 showing up in the court filings, along
6 with -coins, about half a billion dollars
7 worth of ETH, Ethereum, Matic, and Chainlink
8 Celsius all sent, FTX, along with a large
9 amount of stablecoins, et cetera.

10 MR. McCARRICK: Okay. Object

11 to --

12 Q. So --

13 MR. McCARRICK: Object to

14 form. Object. Outside the scope.

15 Object. Compound. And not sure if
16 everything is being accurately
17 characterized.

18 But to the extent that you're

19 able to comment, please do.

20 A. Yeah, I don't -- I don't have all
21 those numbers in front of me. I was not the
22 CFO at that time. So I'm going to do my best
23 to explain what I understood that happened.

24 You know, we did have DeFi
25 borrowers. We thought that it would be a good

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2 thing to not have risk in DeFi, all of that
3 collateral risk while we were going into the
4 filing. So my understanding is that the DeFi
5 loans were paid down and the collateral was
6 freed up.

7 Now, the collateral was freed up
8 and brought back into Fireblocks as quick as
9 we possibly could, also my understanding.

10 And, you know, some of these -- some coins
11 were converted to dollars, which is why you
12 see the fiat bank account at the petition of
13 \$170 million.

14 So there was a lot -- a flurry of
15 movement on the balance sheet leading up to
16 petition as the balance sheet was
17 restructured. We paid down debt, we got fiat
18 cash on hand, and we brought coins home to
19 Fireblocks.

20 Q. Okay. Just moving on to the terms
21 of service. If someone did not consent to the
22 terms of service such as via e-mail --

23 CERTIFIED STENOGRAPHER: I'm
24 sorry, you're going to have to slow
25 down, please.

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2 Q. When people were asked to consent
3 to the new terms of service, like they were
4 notified by e-mail or in the app or however,
5 and let's say someone did not agree to the
6 change for whatever reason, would them
7 e-mailing Celsius support be enough for them
8 to terminate the contract, or what would be
9 required for the contract to terminate or not
10 to take effect, I guess, the updated version?

11 A. There was a period of time where
12 the customers could withdraw. I think after a
13 couple of weeks, they needed to talk to
14 somebody in customer care. But upon that
15 conversation, if they did not want to accept
16 the terms and use, they could withdraw their
17 coins from the platform.

18 Q. Okay. Thank you.

19 MR. FRISHBERG: Sorry. Just
20 give me a second.

21 THE WITNESS: Take your time.
22 No problem.

23 MR. FRISHBERG: That was my
24 cat.

25 Q. Okay. Could you describe the

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2 general process, if you're aware, of how long
3 it took for someone's account to be closed
4 after it was requested to be closed?

5 A. Related to not accepting the terms
6 of use? I wasn't --

7 Q. In general. Generally, in
8 general.

9 A. Yeah, I don't have a -- I don't
10 have an answer to that question. We opened
11 and closed customer accounts as normal course
12 of business. We process withdrawals as a
13 normal course of business.

14 I don't think that it would have
15 been outside of any normal service level in
16 the crypto industry for returning coins or
17 closing accounts.

18 Q. Okay. Could -- do you by chance
19 have Docket Number 393 in front of you? It's
20 all the various terms of services.

21 A. I couldn't -- you spoke too fast,
22 I'm sorry, sir. Could you --

23 Q. Do you have a declaration -- not
24 declaration -- Docket Number 393, it's the
25 various versions of the terms of service, in

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2 front of you?

3 A. No.

4 Q. It's the document with the

5 April 15, 2022, terms of service.

6 A. No, I have my declaration, and I
7 also have the responses to the questions, the
8 written deposition questions in front of me.

9 Q. I guess, then, I can read it to
10 you and you can tell me which understanding of
11 it is -- this is the first section of -- the
12 first paragraph of Section 12, page 629 of
13 Docket 393:

14 "All eligible digital assets
15 that you elect to utilize in the
16 earn service, if available to you,
17 and thus are loaned to Celsius (1)
18 are not being used as collateral for
19 loans; (2) have not had all rights
20 in connection with them assigned to
21 another Celsius user using CelPay,
22 and (3) were not requested for
23 external transmission or withdrawal
24 (eligible digital assets meeting
25 each one of these three criterias,

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2 'loan digit assets') entitle you to
3 rewards while credited to your
4 account."

5 Is it your understanding of the
6 contract that the title is only being
7 transferred when the criterias are being met
8 and when interest is being paid in exchange
9 for a title?

10 MR. McCARRICK: Object to
11 form. Incomplete. Document's not
12 in front of him.

13 But you can respond based on
14 the snippet that Mr. Frishberg read.

15 A. I think, Mr. Frishberg, I believe
16 what you're reading is, kind of, how the
17 rewards worked.

18 Q. Correct.

19 A. If you are in the earn program and
20 you transfer title to Celsius, you earn
21 rewards. But if you use that cryptocurrency
22 as collateral, obviously that is no longer
23 going to earn rewards. It's set aside for --

24 Q. And --

25 A. -- collateral.

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2 Q. And also the subsection said that
3 they were also not requested for external
4 transmission. If they are requested for
5 external transmission, they are not earning
6 interest and not part of the rewards program.
7 Is that correct?

8 MR. McCARRICK: Object to
9 form. Were you reading that or
10 summarizing it just so the record is
11 clear?

12 MR. FRISHBERG: Summarizing.
13 I was summarizing.

14 MR. McCARRICK: Okay. You can
15 answer.

16 I'll object to form.

17 And you can answer based on
18 your understanding.

19 A. I mean, I think if somebody -- my
20 understanding would be if you wanted to
21 withdraw funds from the point of withdrawal,
22 you would not earn rewards.

23 Q. Correct. Thank you. That's my
24 understanding as well. Generally, your
25 understanding of the contract, what terms in

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2 the contract allowed Celsius to halt or limit
3 withdrawals or prevent them, whatever -- in
4 the pause and would they be in Sections 10,
5 11, and 13?

6 MR. McCARRICK: Object to
7 form. Outside the scope. The
8 document is not in front of him.

9 But you can answer to the best
10 of your ability.

11 A. There was language around, kind
12 of, non-normal course. I don't remember the
13 specific language. Again, the document's not
14 in front of me, but I think it, you know, was
15 related to unforeseen market events and
16 idiosyncratic events that Celsius was going
17 under.

18 Q. Makes sense. This is again Docket
19 Number 393, page 644, Section 19:

20 "In the event of irregular
21 activity, we may hold assets until
22 we close your Celsius account. Any
23 digital access that Celsius returns
24 to you will be sent to the
25 designated withdrawal addresses in

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2 the usual profile on the Celsius
3 platform for each respective digital
4 asset."

5 Would this mean that, say, once an
6 account has been closed, the withdrawal will
7 be processed regardless of these
8 circumstances?

9 MR. McCARRICK: Object to
10 form.

11 Q. Other than, like, an attachment or
12 court-ordered lien, et cetera, generally
13 speaking to the designated withdrawal
14 addresses?

15 MR. McCARRICK: Object to
16 form. Outside the scope.
17 Incomplete documents not in front of
18 you.

19 You can answer based on your
20 understanding.

21 A. My understanding is that's talking
22 about certain activity in which they would
23 freeze an account. So I think what they're
24 saying is you've broken the terms of service,
25 your account is frozen, we're going to

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2 distribute it back to you, and close your
3 account.

4 Q. So if the account is closed, the
5 assets will be distributed back?

6 A. Under what you're reading, if I
7 understand what you're summarizing, yes. That
8 would be for activities on the platform that
9 were outside the terms and service, we would
10 then freeze the account and close the account
11 is what it's saying.

12 If the user doesn't, kind of,
13 fulfill the terms of service, their account
14 would be suspended.

15 Q. Okay. I'm going to read you a
16 quote from Docket Number 393, page 632:

17 "In consideration for the
18 rewards payable to you the eligible
19 digital assets used in the earn
20 service for us entering into any
21 loan agreement and the use of our
22 services, you grant Celsius subject
23 to applicable law and for the
24 duration of the period during which
25 you elect to utilize the eligible

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2 digital stock assets in the earn
3 service if available to you. And
4 thus loan such eligible digital
5 assets to us through your Celsius
6 account or as collateral under the
7 borrow service, if available to you,
8 all right and title to such eligible
9 digital assets."

10 My question is: The quote that I
11 just read to you, does it seem that a Celsius
12 customer's only lending the assets and
13 transferring title while they are earning
14 interest, and, if so, is it unambiguous?

15 MR. McCARRICK: Objection to
16 the form. Incomplete. Document's
17 not in front of them. If you're not
18 going to show him the document
19 you've got to read it slower.

20 MR. FRISHBERG: I can send the
21 document over.

22 MR. McCARRICK: Or you can
23 screen share it. Long story short
24 is if -- you don't have to share the
25 document. We just need you to read

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2 it slower. There's no way for --

3 MR. FRISHBERG: Okay. I'll
4 read it slower. And I can also
5 screen share it.

6 MR. McCARRICK: Either one I
7 think will help keep all of the
8 language, which is long, in
9 everyone's head, and I think will
10 also help the court reporter.

11 MR. FRISHBERG: Sorry. This
12 is loading because it's 1,200 pages
13 long.

14 THE WITNESS: Sir, I won't be
15 able to read it, because I don't
16 have my glasses. And I'm quite far
17 away. Maybe if you just read it
18 slower, I think we can get to the
19 right spot.

20 MR. FRISHBERG: Fair enough.
21 There we are.

22 BY MR. FRISHBERG:

23 Q. Can you see this now?

24 A. I can't see that, no.

25 Q. Is it showing on the screen?

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2 A. Is on the screen. I just can't
3 read it.

4 Q. Okay. There we are. This is the
5 Section 28. Is it better?

6 A. Yeah. Thank you. Maybe if you
7 could -- there we go. Perfect. Thank you.
8 Just give me a moment to read it.

9 Q. No worries.

10 A. (Document review.)

11 Yes, sir.

12 Q. Does what you just read state that
13 Celsius' customers own lending their access to
14 Celsius and therefore the title once they have
15 earned interest and, if so, is it unambiguous?

16 MR. McCARRICK: Objection.

17 Incomplete. Full document is not
18 featured here.

19 You can answer to the extent
20 you're able to answer.

21 A. My understanding is in normal
22 course, that as long as the customer was in
23 the earn program, they would earn rewards. If
24 they would draw coins, obviously the rewards
25 would stop accruing when it was withdrawn.

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2 What we're living under since the
3 pause is, kind of, nonordinary course. We
4 paused all swaps, transfers, withdrawals, et
5 cetera. And then in the bankruptcy
6 proceedings, we stopped accruing rewards. And
7 I think that's consistent with, kind of, how
8 you operate under bankruptcy. It's not normal
9 course.

10 Q. Makes sense. You state in your
11 declaration that having an earn account,
12 thereby having use of Celsius' services,
13 "services is expressly conditioned on consent
14 being bound."

15 Does this mean that somebody could
16 close their account at any time prepetition?

17 A. At ordinary course prepause, yes,
18 sir.

19 Q. Okay. What do you mean by
20 "prepause"? There's no exceptions in the
21 contract saying that after that, an account
22 closure means you cannot draw assets -- sorry.
23 That the pause -- that you cannot close your
24 account if limitations on withdrawals have
25 been instituted, such as the pause, there's

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2 nothing in the contract that says you cannot
3 close your account.

4 MR. McCARRICK: Object to
5 form. Mischaracterizes. Calls for
6 a legal conclusion.

7 You can answer to the extent
8 that you understand the question.

9 A. It's not my understandings of the
10 agreement, sir. I think under certain events,
11 we can pause withdrawals. I don't have it in
12 front of me, but upon my mind -- recollection
13 of going through it, we had the right under
14 certain conditions to pause withdrawals.

15 Obviously if withdrawals are
16 paused, people have coins on the platform, we
17 can't close the account.

18 Q. Where does that say that, that
19 accounts cannot be closed if withdrawals are
20 stopped?

21 MR. McCARRICK: Object to
22 form. Outside the scope.

23 You can answer.

24 A. I don't understand the question.
25 Where does it say what?

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2 Q. The question: Where does it state
3 that an account cannot be closed if
4 withdrawals are paused?

5 A. Well, how could -- if withdrawals
6 are paused and somebody has coins in their
7 account, how can you close it?

8 Q. Closing an account, it terminates
9 the terms that therefore allows for
10 withdrawals, as per the section -- let's
11 see -- Section 19, I'll make it bigger for
12 you. Actually, I'll just skip straight to the
13 actual document so that that's not an issue
14 for an objection.

15 Right here, Section B. If you
16 could read that into the record, please, up
17 until Subsection A, that's not relevant.

18 A. Sir, I can't see it.

19 Q. Okay. That's fine. Then I can
20 just -- I had it copied and pasted onto my
21 screen. I can increase the font size a bunch.

22 A. (Document review.)

23 Sorry. So what's the question?

24 Q. The question is: Could you please
25 read this and after that, is -- have you read

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2 that?

3 A. Yeah, this is talking about
4 closing an account in ordinary course. We
5 went through this. I think post --

6 Q. There's -- nothing's been stated
7 in ordinary course to the subsection. And
8 right here it says that after an account has
9 been requested to be closed, the terms
10 terminate. So my understanding is if the
11 terms terminate, thereby anything that is not
12 in Section 35, which is these ones --

13 MR. McCARRICK: Object --
14 object to form. These are, like,
15 snippets of a contract that aren't
16 full sections.

17 Q. I mean, the thing is, if you read
18 the contract fully, it is quite confusing and
19 ambiguous. So is it unambiguous or is it
20 ambiguous?

21 MR. McCARRICK: Well, I think
22 our position on that's clear, but --

23 Q. -- that's your position?

24 MR. McCARRICK: Just give me a
25 second. I'm objecting to the form.

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2 I'm objecting to the incomplete
3 nature of the document that's being
4 displayed. You can re-ask your
5 question to Mr. Ferraro.

6 BY MR. FRISHBERG:

7 Q. Okay. My question for Mr. Ferraro
8 is: Did anywhere in the sections that
9 governed closing the account or limitations on
10 withdrawals, did anything mention an account
11 cannot be closed if withdrawals were
12 instituted?

13 MR. McCARRICK: Object to
14 form.

15 A. Sir, I do not have the contracts
16 in front of me. There's eight different terms
17 of use that I understand. They total over
18 1,000 pages. In preparation, I did my best to
19 prepare for it.

20 My understanding is that in
21 ordinary course, we would process withdrawals
22 according to the customer wishes, including
23 closing the accounts, and that there's
24 language in the contract that gives us the
25 right to pause -- to pause withdrawals given,

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2 kind of, events that are occurring.

3 So in normal course, you're right.

4 We would -- we would return coins and close an

5 account. Once we pause, we can't return

6 coins. We've paused that activity. We can't

7 close an account if there's coins in there.

8 Q. So the sections that allow you to

9 not return the coins, AKA, the pause, would

10 they not terminate with the termination of the

11 entirety of the terms minus the survival

12 section?

13 MR. McCARRICK: Objection to

14 the form. Same objections as I've

15 been making.

16 You can answer this one again.

17 A. I'm not a lawyer. I didn't draft

18 the contract. In my reading of it and

19 understanding of it, it's clear. I'll restate

20 it.

21 In normal course, if a customer

22 wants to close their account, they would

23 withdraw their coins and close the account.

24 Post pause, it was -- no one had

25 the ability to withdraw coins. We can't close

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2 your account if you have ten Bitcoin in there.

3 Q. Where does it say that?

4 A. Again, the contract is not in
5 front of me. I'm not a lawyer. I didn't
6 draft it. I did my best to review it and
7 prepare for this.

8 Q. So wouldn't that mean there is
9 some ambiguity and disagreement in there
10 because it doesn't specifically say anything
11 one way or the other clearly, therefore,
12 ambiguity?

13 MR. McCARRICK: Object --
14 object to form.

15 A. These are legal questions. I
16 think the contract's clear. I think it's
17 unambiguous. Clearly you're in a different
18 position. That's why we're under, you know, a
19 judge's supervision in these key gating legal
20 questions. The judge will rule on them.

21 Q. So the entirety of the contract,
22 in its entirety, including the various
23 subsections that I mentioned are unambiguous,
24 per your opinion?

25 A. Sorry, there's a fly buzzing

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2 around me. I don't know how it got to the
3 50th floor but somehow the fly got up here.

4 I apologize.

5 Yeah, to me it's clear, title is
6 transferred. I've done through that in my six
7 hours of testimony today. Yes.

8 Q. I'm asking about the entirety of
9 the contract. Is the entirety of the contract
10 clear and unambiguous, not just the sections
11 about transferring title?

12 MR. McCARRICK: Yeah,
13 object --

14 MS. WESTOVER YANEZ:
15 Objection.

16 MR. McCARRICK: Object to
17 form. It's not the relevant
18 question, it's also a legal
19 question.

20 You can answer.

21 A. It's a legal question. I'm not a
22 lawyer. I'll leave that for the lawyers to
23 decide. To me in reading through it, it was
24 clear, Mr. Frishberg.

25 MR. FRISHBERG: Thank you.

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2 That's it for today. Thank you so
3 much.

4 THE WITNESS: Thank you.

5 MR. McCARRICK: Thanks,
6 Mr. Frishberg.

7 All right. Next pro se
8 creditor up to bat, if you can state
9 your name and spell it for the court
10 reporter.

11 MR. COHEN HOFFING: Hi, I am
12 Jeremy Cohen Hoffing, pro se
13 creditor. And to spell my first
14 name, J-e-r-e-m-y, last name Cohen
15 Hoffing, C-o-h-e-n H-o-f-f-i-n-g.

16 EXAMINATION BY

17 MR. COHEN HOFFING:

18 Q. Hi, Mr. Ferraro, I just have a
19 couple brief questions. If I were to request
20 proof of acceptance of different versions of
21 the TOS for an individual user like myself,
22 would you be able to provide that proof?

23 A. Me, not personally, but tomorrow
24 Oren Blonstein will be here to talk in detail
25 about these questions, sir.

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2 Q. Okay. Thank you.

3 A. My understanding is you had to
4 accept the terms of use in order to progress
5 with opening your account, full stop.

6 Q. Right. But if you -- but if I
7 were to request for proof of that, that that
8 actually took place, would I be able to
9 receive evidence?

10 A. Again, to open your account and,
11 kind of, process-wise, you had to go through
12 those steps. Oren tomorrow will have a more
13 fulsome discussion about those details,
14 including the aspects of his declaration. So
15 I would probably save that for there.

16 To me, my understanding is in
17 order to open an account, you had to progress
18 through these screens and click acceptance.
19 Contract or Terms of Use 6, you had to
20 clickwrap. You had to not only check it, you
21 also had to accept it. That's my
22 understanding, sir.

23 Q. Understood. And while that may be
24 true, and your back office systems will have
25 recorded that. So hopefully Oren Blonstein

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2 can provide any proof if requested.

3 My next question: Was the
4 creation of the custody account product, was
5 that to help protect nonaccredited investors?

6 MR. McCARRICK: Objection.

7 Outside the scope.

8 You can answer.

9 A. Yeah, I think we went through this
10 a little bit earlier. The earn product was
11 our marquee product. Pretty much all of the
12 customers came to Celsius for earn. Given the
13 backdrop, you know, we felt that we needed to
14 launch a custody product in order to suit
15 certain customers.

16 Our belief was that we wanted to
17 be able to have the customers on the
18 platform -- right? -- we wanted to provide the
19 services to the customer. And my
20 understanding was -- again, I was not part of
21 this. I've done my best to try to understand
22 what happened and the decisions that were
23 made.

24 My understanding was the custody
25 product was launched in order to, kind of,

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2 give a secondary product to the earn product.

3 And the earn product was starting to get --

4 you know, there was chatter about whether or

5 not it would be able to be offered --

6 right? -- regulatory inquiries, things like

7 that.

8 So we needed -- you know, we had

9 600,000 customers with a balance with us. So

10 we were trying to make sure that we had

11 products and services and not lose our

12 customers.

13 Q. So do you think there was any

14 regulatory pressure that helped initiate the

15 offering of a custody product?

16 A. I don't know if it was direct or

17 not. I know that there was plenty of

18 regulatory scrutiny around these products.

19 That's my understanding, yes.

20 Q. Do you think there's any relation

21 to those regulatory bodies considering, you

22 know, the offering of unregistered securities?

23 MR. McCARRICK: Objection to

24 form. Outside the scope. Calls for

25 speculation.

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2 You can answer.

3 A. I think what I've said is the earn
4 was our marquee product. We didn't want to
5 risk losing customers because we couldn't
6 offer them services anymore.

7 So what we wanted to do was
8 diversify and come up with a secondary product
9 offer in custody. I think regulatory scrutiny
10 might have been one thing. Again, I wasn't
11 here. There probably was others as well.

12 I think the custody product has
13 proven today, given the macro events with
14 other platforms, I think custody is the future
15 in this business. So I think the custody
16 product offering is a good product.

17 Q. What was the percentage of your
18 customers in earn versus custody?

19 MR. McCARRICK: Object to
20 form. I think you answered this
21 already, but you can answer it
22 again.

23 A. Yeah, I mean, I think it's in the
24 first day declaration. We had, you know,
25 north of about 200 million or so in custody

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2 balances, and the vast majority, rest was in
3 earn. So 90-plus percent was in earn.

4 Q. So it seems like earn is the
5 product that enticed people to participate in
6 your platform. Is that correct?

7 MR. McCARRICK: Object --
8 objection to form.

9 You can answer.

10 A. There's a customer, kind of,
11 adoption curve that occurs when you launch a
12 new product. So it's not like you launch a
13 new product and everybody just goes there.
14 Earn was the product offering for probably
15 four-plus years. So it would make sense that
16 the custody, kind of, offering would have an
17 adoption curve like any other product that
18 gets released.

19 Q. Okay. So after April 15, 2022, is
20 when you offered custody, and so if you were
21 to make new deposits to an earn account, did
22 you have to be an accredited investor?

23 MR. McCARRICK: Objection. I
24 think we covered this ground
25 earlier.

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2 But you can answer it again to
3 the best of your understanding.

4 A. Yeah, I'll try to echo what I said
5 earlier. I believe that if you were
6 nonaccredited post the launch of custody in
7 the US, any new deposits went to custody. If
8 you were accredited, you could continue to,
9 you know, fulfill inbound transfers into earn
10 and internationally as well. That's my
11 understanding in this situation.

12 Q. Can you define the difference
13 between an unaccredited investor versus an
14 accredited one?

15 MR. McCARRICK: Objection.

16 Calls for a legal conclusion.

17 THE WITNESS: Yeah.

18 MR. McCARRICK: But you can
19 answer based on your subjective
20 understandings.

21 A. There's a process in which you're
22 trying to show that you have the, kind of,
23 capability for more complex offerings, et
24 cetera. So that could be a level of
25 sophistication, kind of, the activities that

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2 you invest in, or your overall wealth is my
3 understanding of the accreditation process.

4 It's trying to make sure that for
5 sophisticated products, it's for sophisticated
6 or accredited investors.

7 Q. Okay. So by that reasoning, why
8 would I not be allowed to make new deposits to
9 earn as an unaccredited investor?

10 MR. McCARRICK: Object.

11 Outside the scope.

12 You can answer.

13 A. I don't understand the question.
14 I'm sorry.

15 Q. So after April 15, if I'm
16 unaccredited, what is the reasoning why I
17 wouldn't be able to make new deposits to earn?

18 MR. McCARRICK: Object to
19 form. Outside the scope.

20 You can answer to the extent
21 you understand.

22 A. Yeah, I believe you can make
23 new --

24 Q. I wouldn't be able to because I'm
25 not unaccredited. Right?

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2 MR. McCARRICK: Objection to
3 form. Mischaracterizes. Outside
4 the scope.

5 You can finish your last
6 answer.

7 A. I forgot what I was saying but --
8 I lost my thought, I'm sorry.

9 Q. Okay. Sorry. Let me re-ask the
10 question.

11 By your reasoning that to be
12 defined as an accredited investor you have to
13 have a certain amount of wealth, is one of the
14 reasons you gave, and if you don't meet those
15 requirements, you are not allowed to be able
16 to make new deposits onto an earn account
17 because you didn't meet those -- that
18 accredited status. Correct?

19 MR. McCARRICK: Object to
20 form.

21 You can answer.

22 A. Yeah, my understanding is after
23 the launch of custody, if you were in the US
24 and you were not accredited, new deposits
25 would go to your custody account. That was

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2 the product we were offering for that slice of
3 customers, nonaccredited customers after
4 April 15 went to custody. That's correct.

5 Q. Okay. Thank you. So my question
6 then is: If you were an unaccredited investor
7 and you had already made deposits into earn
8 after the new products changed in an offering
9 of custody, why were users that were
10 unaccredited -- why did they remain -- why did
11 their deposits remain in earn instead of being
12 moved over to custody?

13 MR. McCARRICK: Objection to
14 form. Outside the scope.

15 You can answer.

16 A. Yeah, I think I answered this
17 earlier. Existing deposits post the launch
18 of -- pre the launch of custody for
19 nonaccredited were grandfathered, I'm using
20 the term "grandfathered," into the earn
21 product.

22 The customers could have moved
23 their balances to custody, and if they moved
24 their balances from earn to custody, they
25 wouldn't have been able to move them back.

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2 Q. Do you support the decision to
3 keep them grandfathered into earn, especially
4 for unaccredited investors that weren't aware
5 of the differences between the custody and
6 earn?

7 A. I --

8 MR. McCARRICK: Object to the
9 form.

10 I think he's testified
11 multiple times that he wasn't
12 involved in any grandfathering
13 decision, that he wasn't there.

14 But you can repeat that
15 testimony.

16 A. I think the custody product
17 offering is a key offering in crypto. I think
18 it's a great idea to, kind of, have the
19 industry move to that space. The users could
20 have transferred their balances from earn to
21 custody.

22 I believe I was not part of the
23 decision. I was probably not even with the
24 company when a lot of these decisions were
25 occurring.

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2 Do I -- do I support that? You
3 know, I haven't thought about it in that way.
4 I think the custody product is a great
5 offering. And for people who want to be in
6 custody, you know, it's not a bad idea in this
7 industry and in this marketplace.

8 Do I think it was the right
9 decision? I don't know. I haven't thought
10 about it.

11 Q. Do you believe in consumer
12 protections for, you know, unaccredited
13 investors?

14 MR. McCARRICK: Object to the
15 form. Outside the scope. Vague.

16 You can answer to the extent
17 that you understand the question.

18 A. I come from a very regulated
19 background where consumer protections were
20 very well understood, and I support those
21 protections and I support smart regulations.
22 That's my background.

23 I worked with regulators very
24 closely for a decade. And I found them to
25 be -- they made -- they made me better at my

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2 job, let's put it that way. So I welcome
3 regulation. I welcome customer protections.

4 I think for this industry to
5 really get out and being nascent and to grow
6 and to be widely adopted, we need those
7 protections. And as long as I'm involved with
8 this company, you know, that will be the goal,
9 is to, you know, think ahead to future
10 regulation and protections and be on the right
11 side of that.

12 MR. COHEN HOFFING: Thank you.

13 That ends my questioning.

14 THE WITNESS: Thank you, sir.

15 MR. McCARRICK: Thanks,

16 Mr. Hoffing.

17 Okay. Next creditor up, if
18 you could state your name for the
19 record, and spell it and just, yeah.

20 MR. DE LAS HERAS: Okay.

21 Yeah. I am Victor Ubierna De Las
22 Heras. I am a pro se creditor. I'm
23 from Spain so maybe if you don't
24 understand me, you can stop me. So
25 I apologize that.

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2 EXAMINATION BY

3 MR. DE LAS HERAS:

4 Q. The first question is: Are you
5 familiar with the Slack channels of the
6 company?

7 MR. McCARRICK: Object to
8 form. Sorry I could not understand.

9 (Stenographer clarification.)

10 (Discussion off the record.)

11 A. I couldn't understand. Oh, Slack
12 channels. Am I familiar with Slack channels.

13 Q. Yeah. The ones from Celsius?

14 A. Yeah, yeah. No, I use Slack.

15 That's the internal messaging system, the
16 software that we use to communicate, yes.

17 Q. Are you familiar with a leaked
18 channel in which realtime, big withdrawals
19 were posted for approval or completion?

20 (Stenographer clarification.)

21 MR. McCARRICK: Would it be
22 possible for you to type the
23 question into the chat?

24 MR. DE LAS HERAS: I will
25 share my screen if that's okay with

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2 you.

3 MR. McCARRICK: Oh, I see.

4 MR. DE LAS HERAS: So this is
5 the question asked.

6 MR. McCARRICK: Sir, can you,
7 kind of, make it a little bit
8 bigger, please?

9 Okay. All right. So just for
10 the record, the question is:

11 "Are you familiar with a
12 leaked channel," I assume referring
13 to Slack channel, "in which
14 realtime, big withdrawals were
15 posted for approval or completion?"

16 And I'm going to object to
17 that question as outside the scope
18 on the basis of form, but you can
19 answer to the extent you understand
20 it.

21 A. I'm not familiar with the
22 withdrawal Slack channel. There could be --
23 there could have been one. I just, to my
24 knowledge, was not part of it and didn't
25 follow it.

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[REDACTED]

Q. Okay. Thank you. So now on another topic, and in your declaration in paragraph Number 23, you say that:

"Debtors typically advised existing users of updates to the terms of use via e-mail and other official Celsius channels, such as the Celsius app."

Is that correct?

A. Yeah, that's my understanding that any changes to the terms of use would be -- there would be a pop-up in the Celsius app. There would be e-mail.

Q. Do all Celsius users use the Celsius app or are there users who don't use

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2 the app?

3 MR. McCARRICK: Object to

4 form.

5 You can answer.

6 A. My understanding is it went
7 through the app. So they would have seen the
8 pop-ups. They could have probably accessed
9 their account online as well. But it would've
10 seen the similar things. I think Oren would
11 be a great resource to talk in specifics about
12 this tomorrow.

13 Q. Okay. So you don't know anything
14 about customers who don't have the Celsius app
15 and that access their Celsius account through
16 a third party?

17 A. Oh, partnership channel. You're
18 talking about an AP- -- the partner API so
19 folks --

20 Q. Yeah --

21 A. -- who came in through the
22 partnership channel? Yeah, I think that's --
23 I think if you could that would be a best --
24 question best suited for Oren tomorrow.

25 MR. DE LAS HERAS: Okay. So

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2 with that, I don't have any more
3 questions, thank you.

4 THE WITNESS: Thank you, sir.

5 MR. McCARRICK: Thank you,
6 sir.

7 Okay. Are there any other pro
8 se creditors with questions at this
9 time?

10 Okay. Hearing nothing, we
11 will close the deposition. We'll
12 read and sign.

13 And thank you, Mr. Ferraro,
14 for your time.

15 And thank you to all the
16 participants for yours.

17 THE WITNESS: Thank you.

18 (Continued on the next page.)
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2 CERTIFIED STENOGRAPHER: This
3 is the stenographer. If anyone
4 wants to order a copy of the
5 transcript, you must e-mail me. My
6 e-mail is going is in the chat right
7 now.

8 (Discussion off the record.)

9 THE VIDEOGRAPHER: The time
10 now is 5:28 p.m. This concludes
11 Media 8 of 8 today's deposition.
12 Off the record.

13 (Time noted: 5:28 p.m.)

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A C K N O W L E D G M E N T

STATE OF)

: ss

COUNTY OF)

I, CHRISTOPHER FERRARO, hereby
certify that I have read the transcript
of my testimony taken under oath in my
deposition of November 21, 2022; that
the transcript is a true, complete, and
correct record of my testimony, and that
the answers on the record as given by me
are true and correct.

CHRISTOPHER FERRARO

Signed and subscribed to
before me this _____
day of _____, 2022.

Notary Public

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C E R T I F I C A T E

STATE OF NEW YORK)

: ss.

COUNTY OF NASSAU)

I, PATRICIA A. BIDONDE, a Notary
Public within and for the State of New
York, do hereby certify:

That CHRISTOPHER FERRARO, the
witness whose deposition is hereinbefore
set forth, was duly sworn by me, and
that such deposition is a true record of
the testimony given by the witness.

I further certify that I am not
related to any of the parties to this
action by blood or marriage, and that I
am in no way interested in the outcome
of this matter.

IN WITNESS WHEREOF, I have
hereunto set my hand this day,
November 22, 2022.

Patricia A. Bidonde

PATRICIA A. BIDONDE
Stenographer
Registered Professional Reporter
Realtime Certified Reporter

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E R R A T A

INSTRUCTIONS TO WITNESS

Please read your deposition over carefully and make any necessary corrections. You should state the reason in the appropriate space on the errata sheet for any corrections that are made.

After doing so, please sign the errata sheet and date it.

You are signing same subject to the changes you have noted on the errata sheet, which will be attached to your deposition.

It is imperative that you return the original errata sheet to the deposing attorney within thirty (30) days of receipt of the deposition transcript by you. If you fail to do so, the deposition transcript may be deemed to be accurate and may be used in court.

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E R R A T A

ERRATA SHEET FOR THE TRANSCRIPT OF:

Case Name: In Re: Celsius Network LLC

Dep Date: November 21, 2022

Deponent: Christopher Ferraro

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E R R A T A (Continued)

Pg.	Ln.	Now Reads	Should Read	Reason

Christopher Ferraro

Signed and subscribed to before me
this ____ day of _____, 2022

Notary Public

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